C.P.U. No. 158

COMMITTEE ON PUBLIC UNDERTAKINGS
(1969-70)

(FOURTH LOK SABHA)

SIXTY-THIRD REPORT

THE NATIONAL INDUSTRIAL DEVELOPMENT CORPORATION LTD.

MINISTRY OF INDUSTRIAL DEVELOPMENT, INTERNAL TRADE AND COMPANY AFFAIRS

(DEPARTMENT OF INDUSTRIAL DEVELOPMENT)

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

April, 1970/Chaitra, 1892 (S)

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(1969-70)

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5. Shri Bhabhani Charan Pattanayak—*Member*
6. Shri Rajendra Pratap Sinha—*Member.*

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to present the Report on their behalf, present this Sixty-third Report on the National Industrial Development Corporation Ltd.

2. This Report is based on the examination of the working of the National Industrial Development Corporation Ltd. upto the year ending 31st March, 1969.

3. The Committee took evidence of the representatives of the National Industrial Development Corporation Ltd. on the 28th July, 1969 and of the Ministry of Industrial Development on the 29th July, 1969. The Committee also took evidence of the representatives of the Undertaking|Ministry on the 12th December, 1969.

4. The material relating to the National Industrial Development Corporation Ltd. was processed at various stages by the Study Group II on Aviation, Promotional and Development Undertakings of the Committee.

5. The Report was adopted by the Committee on the 6th March, 1970.

6. The Committee wish to express their thanks to the officers of the Ministry of Industrial Development, Internal Trade and Company Affairs (Department of Industrial Development) and the National Industrial Development Corporation Ltd. for placing before them the material and information that they wanted in connection with their examination.

NEW DELHI:
April 9, 1970.
Chaitra 19, 1892 (*S*).

M. B. RANA,
Chairman,
Committee on Public Undertakings.

I

INTRODUCTORY

(a) Historical Background

The idea of setting up a Corporation for the Industrial development of the country was first mooted by the Minister of Commerce and Industry in August, 1953. It was then suggested that an Industrial Development Corporation might be set up which should compose of—

(a) representatives of Government,

(b) engineers and scientists connected or unconnected with business, and

(c) industrialists with proven reputation.

1.2. The functions of the Corporation were defined to determine the lines of development which would be economically undertaken and the manner in which the project should be undertaken; the location of each particular project, and the appointment of managers for carrying the project into execution. It was also conceived that the Corporation would start industries itself and determine the manner and the stage at which the industry should be handed over to private investors or participation of private capital was secured. Where some initiative was already forthcoming from private enterprise, the Corporation will determine the appropriate method of financial assistance—loans, investment in debentures, preference shares, ordinary shares, under-writing shares etc.

1.3. The Ministry of Production in their note to the Cabinet on 13.10.1953 expressed the opinion that the constitution and super-imposition of an Industrial Development Corporation on the existing organisations for the development of industries was unnecessary. The Ministry of Production were of the opinion that the pace of development could be equally accelerated by a suitable adjustment in the scope, authority and powers of the then existing organisations.

1.4. The Ministry of Production were of the view that the proposed functions of the Industrial Development Corporation overlie the functions of the Industrial Finance Corporation constituted to assist the development of industries in the private sector by the grant of suitable financial assistance in appropriate cases. They were also of the view that the transfer to an agency outside Government, the functions of planning the development of industries, whether in the private or public sector and resting in it the discretion to transfer them subsequently either to private enterprise or state management, was a derogation of the authority of Government and of the Planning Commission. The Minister of Production had also in his comments dated 14.7.1954 admitted that the adoption in its entirety of the proposal would mean definitely a curtailment of the scope and functions of the Ministry of Production.

1.5. The Ministry of Production, therefore, suggested that the constitution and the composition of the Industrial Finance Corporation should be suitably expanded and adjusted to allow it to fulfil its role adequately in the grant of financial assistance for the development of industries in the private sector. Similarly, the Production Ministry should be allowed to plan industries in the public sector.

1.6. The Cabinet at its meeting held on 8.1.1954, agreed in principle to the proposal on the lines indicated in the Commerce and Industry Ministry subject to certain modifications suggested by the Planning Commission. On 4.6.1954, the Cabinet approved the incorporation of the Industrial Development Corporation as a private limited company but desired that the functions to be undertaken should be considered by a Sub-Committee of the Cabinet.

1.7. On 5.7.1954, the Special Secretary, Ministry of Commerce and Industry prepared a note for the consideration of the Sub-Committee.

1.8. The Minister of Production in his letter dated 11.7.1954 reacted very sharply to the note prepared for the Sub-Committee and stated as follows:

> "It seems to me that if the promotion of all new projects is to be entrusted to the Corporation, the Production Ministry will be left with little more than the management of sundry industrial undertaings. It would also arrest the proper functions of this Ministry".

1.9. The Corporation was established on the 20th October, 1954. It is not clear even to this day whether the note prepared by the Special Secretary, Ministry of Commerce and Industry was ever placed before the Cabinet Sub-Committee. In any case, the decision of the Sub-Committee was not made known to the Committee yet.

1.10. After a perusal of all the correspondence, the Committee are of the view that the NIDC was conceived on the basis of a note dated 9th August, 1953 to the Cabinet by the Minister of Commerce and Industry and the Government adopted the idea without due consideration by the different Ministries which is the usual practice before such a note is considered by the Cabinet. The Committee are of the opinion that NIDC was delivered as a still-born child as a result of inter-Ministerial rivalry and dispute over its functions as is evident in the set of correspondence made available to the Committee.

(b) Scope and Functions of the Corporation

1.11. The functions of the Corporation were described to develop industries, particularly those which were necessary to fill the gaps in the industrial structure, so as to achieve better coordination of progress in different fields; promote, establish and execute industries, projects or enterprises for the manufacture and production of plants, machinery, tools etc. and for that purpose prepare and get prepared project Reports, blue prints etc., as well as establish companies or associations for the prosecution or execution of industrial undertakings.

1.12. Government had also decided to use the Corporation as an agency for the grant of special loans for the modernisation and rehabilitation of jute and cotton textile industries and for the modernisation and expansion of the Machine Tools Industry.

(c) Examination by the Estimates Committee

1.13. The working of the National Industrial Development Corporation was examined by the Estimates Committee (1960-61) in their 122nd Report presented to Parliament in March, 1961. A report on the action taken by Government on this Report was contained in the 20th Report of the Estimates Committee (1962-63).

1.14. In its 122nd Report (Second Lok Sabha on the working of the NIDC), the Estimates Committee had, among suggestions, recommended that—

(a) "It would perhaps be more appropriate if the present field of activity of NIDC as a lending agency were transferred to the IFC or any other such agency whose operations may not result in losses entailing grants by way of subsidy;"

(b) "It is, therefore, a matter for consideration of Government whether they should continue to keep the NIDC as an institution with such a limited sphere of work".

1.15. After taking all the factors into consideration, it was decided by Government of India that:

(a) The NIDC need not be dissolved but should continue to deal with its promotional and development work with the help of its Technological Consultancy Bureau;

(b) The NIDC should not entertain any fresh application but should continue to handle loan work only to the extent that it had already committed itself to; and

(c) Fresh applications from cotton textile, jute and machine tools industries would be processed by the Industrial Finance Corporation in the usual way at its prevailing rate of interest and with due regard to the relative priority of these industries among the industries financed by the IFC.

1.16. During the course of evidence the Committee pointed out that the role of the NIDC was to fill the gaps in the industrial structure by starting new industries and to build up a technical expertise and to grant loans with that end in view. The Committee wanted to know how far the establishment of the Corporation had been justified by its setting up of new projects themselves or helping others to put up. The Managing Director, NIDC stated that NIDC executed five projects in public sector *viz.* Heavy Engineering Corporation; Indian Drugs and Pharmaceuticals Ltd.; Hindustan Photo Films; Hindustan Organic Chemicals Ltd.; and Bharat Heavy Electricals and two projects in the private sector *viz.* Synthetic Rubber and Tungsten Carbide. The Committee wanted to know the specific work NIDC performed either in the conception or in the execution of these projects. The NIDC in a written reply have stated as follows:

A. *Public Sector Projects*

A.1. Heavy Engineering Corporation

(i) *Foundry and Forge Plant*

Preliminary investigations by the NIDC in 1955 revealed that while substantial capacities existed in the country for manufacture of lighter weight castings and forgings, the capacity with regard to heavier castings and forgings was negligible in the country. As a sequel to this, discussions were held with several firms in the world who specialised in the manufacture of forgings and castings and Project Reports were prepared by several important firms from United Kingdom, Germany, Czechoslovakia and Japan. These Project Reports were examined and as a result of this, terms offered by

Czechoslovakia were found favourable and the Government of India decided to go ahead with this Project on the basis of Czechoslovakian proposals. The Foundry Forge Project is now in operation.

(ii) *Heavy Machine Building Plant*

NIDC assisted the Government in initial investigations regarding the heavy equipment required for steel mills and other industries. It was found that practically all types of heavy equipment were being imported. In this case also proposals for a Heavy Machine Building Plant were submitted by USSR, United Kingdom and Czechoslovakia and these were examined. As a result of this, the Government decided to ask the Soviet authorities to assist in the development of this Project. The Plant is now in operation.

(iii) *Heavy Machine Tools Plant*

While the Hindustan Machine Tools Ltd. were making considerable progress in the manufacture of light and medium variety of machine tools, investigations by NIDC revealed the necessity for a production plant for heavy machine tools. Project proposals in this connection were received from West Germany, Czechoslovakia, United Kingdom and other countries. After a detailed scrutiny of various proposals, the Government entered into a contract with Czechoslovakia for establishment of the factory for the manufacture of heavy machine tools. This plant is now in operation at Ranchi.

(iv) *Coal Mining Machinery*

A preliminary Project Report was prepared by visiting team of Soviet Experts on the manufacture of coal mining machinery in the country, which was hitherto being imported. This Preliminary Report was examined by a team of Indian experts and the items to be manufactured in the Coal Mining Machinery Plant were specified after discussions with the Soviet Experts. The Plant was envisaged to manufacture coal mining machinery and its spare parts including cutters, loaders, conveyors, ball mills, etc. The Heavy Engineering Corporation (HEC) was entrusted in the initial stages for execution of the Plant but later it was transferred to the Mining and Allied Machinery Corporation which was entrusted with the execution and operation of the Plant. The Plant has been set up in Durgapur and is now in production.

A. 2. **Indian Drugs & Pharmaceuticals Limited**

In 1959 the Government of USSR offered technical and financial assistance for setting up a number of factories for the manufacture of drugs and other medical supplies. The scheme was accepted by the Government and the contracts were signed in 1960 for the preparation of Detailed Project Reports for the four units *viz.*:—

(i) Antibiotics Plant
(ii) Synthetic Drugs Plant
(iii) Surgical Instruments Plant
(iv) Phyto Chemicals Plant.

The Government decided to locate these plants in U.P., Andhra Pradesh, Madras and Kerala respectively.

Indian Drugs & Pharmaceuticals Ltd. was formed in 1961 to execute, commission and operate these plants.

All the preliminary processing work relating to these plants was done by NIDC.

After the formation of IDPL, NIDC was entrusted to do portions of the detailed engineering work relating to three of the four projects. The detailed engineering work included preparation of detailed technical specifications and design drawings for mechanical and electricals equipment procured indigenously, detailed designs of Administration Block, construction workshops, etc.

The fourth project *viz.* Phyto Chemicals Plant was deferred by the Government.

A.3. **Hindustan Photo Films**

Until the year 1960-61 all the requirements for cinematographic films, X-ray films, photographic papers etc. were being met through imports. The NIDC initiated talks with East Germany and a firm in France for supply of technical know-how for the manufacture of these films. The proposals submitted by them were examined and a contract was signed by Government with the French firm for setting up this Project. For implementation and operation of the Project, a separate Company was formed under the name of Hindustan Photo Films Manufacturing Company Limited.

A.4. **Hindustan Organic Chemicals Limited**

Primary and intermediate organic chemicals provide base materials for the dye-stuffs and other chemical industries. The importance of this industry was noticed in the year 1955 and at that time all these primary and intermediate chemicals which formed an important base for the chemical industries were being imported. Proposals were received from various parties from Italy, West Germany, U.K.

and U.S.S.R. Based on these Reports, negotiations were held with the West German Consortium and the Italian firm M|s. KONA.Milan. Finally negotiations were successfully concluded with the West German firm with whom a contract for collaboration was entered into by the Government. The work on the implementation of this Project was entrusted to M|s. Hindustan Organic Chemicals Limited, Panvel. The NIDC coordinated the functions as delineated above and after formation of HOCL, NIDC has been assisting it in the form of consultancy services in detailed engineering and establishment of various sections.

A.5. **Bharat Heavy Electricals**

In view of demands for the heavy electrical equipment, Government felt the necessity of supplementing the manufacturing facilities provided at Bhopal by way of putting new plants. The Corporation carried out the preliminary studies for Heavy Electrical Projects (II & III), one for the manufacture of Hydro-electric machinery and the other for the manufacture of large thermal generating plants. These plants are now in operation under Bharat Heavy Electricals Limited.

B. *Private Sector Projects*

B.1. **Synthetic Rubber**

Natural latex being scarcely available in India, it was noticed in 1960-61 that it could better be replaced by synthetic rubber. A team from a consortium of well-known American Companies was invited by NIDC to report on the possibility of manufacture of synthetic rubber using Indian raw materials mainly alcohol from sugar factories. The Plant has come up in the private sector at Bareilly.

B.2. **Tungsten Carbide**

NIDC examined the proposals for the manufacture of tungsten carbide from Indian raw material received from Swedish, United Kingdom and Japanese firms. This scheme was taken up by private parties who were interested in its implementation.

1.17. **From the information supplied by the Corporation it would appear that apart from Indian Drugs and Pharmaceuticals Ltd., the Corporation did not make any appreciable contribution either in the setting up or in the execution of these Projects. The Committee are of the opinion that they have been misled by the statement of the Managing Director during the course of evidence held on 28th July, 1969. The Committee are convinced that the NIDC did not play any appreciable role either in the conception or the execution of the five**

projects in the public sector and two projects in the private sector except to some extent in the case of the Indian Drugs and Pharmaceuticals Ltd.

1.18. During the course of evidence the Committee enquired whether the Government was satisfied with the performance of NIDC and whether the Government had ever enquired the reasons from NIDC for not undertaking sufficient number of assignment for actual establishment of industries, engineering works, etc., the Secretary, Ministry of Industrial Development stated that the NIDC had undertaken 64 assignments. Out of these, 26 assignments were for Technical Appraisals, 11 for Demand Surveys, 13 for General Studies and 11 for detailed engineering and DPR. Besides, the Corporation had 7 assignments for detailed engineering in hand. The Committee wanted to know the number of projects undertaken by the NIDC after June, 1968. The NIDC in a note furnished by them have stated that after June, 1968 there were 9 cases of Detailed Engineering, Detailed Project Reports and Detailed Designing. There were another list of 28 assignments which included Feasibility Studies, Preliminary Project Reports, Techno-Economic Reports etc. Asked by the Committee whether it was correct to say that the NIDC was not given any project for actual establishment for industry, the Managing Director, NIDC stated as follows:

"Yes, Especially from an engineering point of view".

1.19. **The Cmmittee note that during the last 16 years of its life, the NIDC had taken up only 9 cases of Detailed Engineering. The Committee feel that the NIDC has not achieved the aims and objectives for which it was set up and has degenerated into a consultancy service.**

II

LOAN OPERATIONS

The NIDC had been entrusted with the grant of loans for the modernisation and rehabilitation of the jute and cotton textile industries and to machine tool industries for the purpose of installing balancing plant and equipment and otherwise expansion of production of light and medium-size machine tools of general applications. In February, 1963, Government of India, however, issued instructions to the Corporation that it should not entertain any fresh loan applications. In regard to pending loan applications, those cases where action was still in preliminary stage were also not to be proceeded with. The Corporation could, however, process cases which were at an advanced stage either after the completion of the detailed survey or after the recommendations of the Loan Advisory Committee had been received. This directive of Government restricted the lending activities of the Corporation which were confined in respect of pending applications to only such cases which were in advanced stage either after the completion of the detailed survey or where the loan Adviory Committee had already made recommendations. Such applications at present were four in number for an aggregate amount of Rs. 2·20 crores.

2.2. The Corporation was also engaged in the disbursement of loans already committed by it (the commitment as on 31 March, 1969 amounted to Rs. 1,56,44,000) and the recovery of existing loans.

2.3. As regards the future plans in so far as the loan operations were concerned no expansion in this sphere of activity is anticipated at present. The Corporation's request to allow it to continue to grant loans to the industries concerned had not been agreed to by the Government.

(a) Current Operations

2.4. The lending activities of the Corporation are presently confined only to the following types of cases:

(i) To make disbursement for the remaining instalments in respect of loans committed prior to 25th February, 1963 when the Government's directive enjoining upon the Corporation not to entertain any fresh loan applications was issued.

(ii) Out of the pending loan applications at time of issue of the Government's directive referred to above, to process only those applications on merits which had reached advanced stages either after the completion of the detailed survey or after the recommendations of the Loan Advisory Committee have been received.

(iii) To effect the recoveries of the existing loans.

2.5. The amount of financial assistance given by the Corporation to various industries during the last three years is shown in the table given below:

(Rs. in lakhs)

	1965-66	1966-67	1967-68
Cotton Textile	69·54	69·69	41·51
Jute	10·46	00·31	00·49
Machine-tools	1·13	00·84	1·11
	81·13	70·84	43·11

2.6. No fresh loan was sanctioned by the Corporation during the years 1965-66 to 1967-68 and, therefore, the figures given in the above statement relate to disbursement made by the Corporation against the loans which had been sanctioned prior to 1965-66.

(b) Loans to Cotton, Jute and Machine Tools Industries

2.7. The position of loans sanctioned and disbursed by the NIDC to Cotton Textile, Jute and Machine Tools Industries as on 31st March, 1969 is given below:

	Amount sanctioned	Amount disbursed
	Rs.	Rs.
Cotton Textile	19,26,79,000	11,74,48,000
Jute	7,43,82,000	5,77,83,000
Machine Tools	1,00,00,000	99,95,000
	27,70,61,000	18,52,26,000

2.8. The position of loan applications from Cotton Textile, Jute and Machine Tool Industries and in respect of short-term (Rental) Scheme are given in Table I to IV below:

TABLE I

Loan applications from Cotton Textile Mills—Position as on 31st March, 1969.

	No.		Amount in Rs.
Total applications received .	*155		72,06,11,000
A. *Sanctioned* . . .	67		19,26,79,000
		Amount in Rs.	
(i) Accepted . . .	43	13,54,69,000	
(ii) Awaiting Acceptance .	..	..	
(iii) Declined . . .	2	45,72,10,000	
B. *Under consideration*			
C. Rejected . . .	44		22,63,23,000
D. Withdrawn by applicants, returned for revision of scheme or held in abeyance at mill Company's request . .	44		25,49,57,000
E. *Under consideration in C.T.L.A.C.*	..		
F. *Awaiting consideration in C.T.L.A.C.* . . .	Nil		
(i) Under Survey . .	Nil		
(ii) Not to be surveyed .	Nil		
(iii) Awaiting survey .	Nil		

* It does not include 2 loan applications aggregating Rs. 1,05,96,474 which had to be returned to the applicants, concerned in pursuance of the decision of the Government that applications in preliminary stage should not be proceeded with by the Corporation.

Table II

Loan applications from the Jute Mills—
Position as on 31st March, 1969

	No.		Amount in Rs.
Total applications received .	*70		16,36,32,000
A. Sanctioned	43	Amount in Rs.	7,43,82,000
(i) Accepted . . .	33	6,02,59,000	
(ii) Awaiting acceptance .		..	
(iii) Declined . . .	10	1,41,23,000	
B. Under consideration .	..		
C. Rejected	13		2,85,22,000
D. Withdrawn by applicants returned for revision of scheme or held in abeyance at mill company's request . .	14		2,79,40,000
E. Under consideration in *JLAC*	..		..
F. Awaiting consideration in *JLAC*	..		..
(i) Under Survey . .	..		..
(ii) Awaiting Survey .	..		..

Table III

Financial Assistance to Machine Tool Industry—
Position as on 31st March, 1969

	No.	Amount in Rs.
Loan applications received .	5	1,06,00,000
A. Sanctioned	4	1,00,00,000
Accepted	4	1,00,00,000
B. Under consideration		Nil
C. Rejected	Nil	Nil
D. Withdrawn by applicants or returned for revision of scheme or held in abeyance at Units sequest	1	6,00,000
E. Under consideration in MTLAC . . .	Nil	..
F. Awaiting consideration in MTLAC . . .	Nil	..

* It does not include 8 loan applications aggregating Rs. 4,90,89,000 which had to be returned to the applicants concerned in pursuance of the decision of the Government that applications in preliminary stage should not be proceeded with by the Corporation.

TABLE IV

Position of Loan Applications received under short term (Rental) Scheme as on 31st March, 1969

	No.	Amount in lacs
1. Applications received	22	139.18
2. Applications sanctioned	13	63.83
3. Applications declined after sanction . .	11	60.08
4. Applications rejected	8	70 01
5. Applications under consideration . .	..	..
6. Applications withdrawn . . .	1	4.84

2.9. It will be seen from Table I that out of 155 applications received from Cotton Textile Mills upto 1st February, 1963 only 43 applications were accepted, 24 applications were declined after sanction. 44 applications were rejected and 44 withdrawn.

2.10. From Table II, it will be seen that 70 applications from the Jute Mills were received. Out of that 33 were accepted. 10 were declined after sanction. 13 applications were rejected and 14 withdrawn.

2.11. (a) The Corporation has a scheme called the "Short Term (Rental) Scheme". Under this scheme the Corporation undertakes the supply of indigenous machinery on hire-purchase basis to cotton textile and jute mills.

(b) The position of loan applications received under short-term (Rental) scheme is the same.

2.12. It will be seen that a large number of applications were declined|rejected and withdrawn.

2.13. The Government have not issued any instructions to the Corporation in regard to equitable distribution of loans State-wise. During the course of evidence the Committee pointed out that the Corporation's assistance had gone to the more advanced States of the country like Maharashtra and West Bengal. The Committee wanted to know what special concessions or incentives were offered by NIDC to encourage assistance to industries in the backward States. The Managing Director, NIDC explained that the loaning activity was limited to the financing of existing mills, for their rehabilitation and modernisation. It was not for setting up of new industries. So, the assistance had to be given on the analysis of wherever the industry was, wherever it worked. The Managing Director further explained that since bulk of the jute plants were in West Bengal, so bulk of the assistance went to West Bengal.

2.14. **The Committee are of the opinion that in the absence of any instructions from the Government to the Corporation in regard to equitable distribution of loans, no special concessions or incentives were offered to encourage assistance to industries in the backward States.**

(c) Loans to Big Business Houses

2.15. During the course of evidence the Committee pointed out that the total assistance sanctioned upto 1963 to 18 big business houses listed below was Rs. 571.72 lakhs which was about 20 per cent of the total assistance of Rs. 2,802.87 lakhs sanctioned by the Corporation:

1. A & F Harvey
2. B. N. Elias
3. Bangur
4. Birla
5. Goenka
6. J. K. Singhania
7. G. D. Jatia
8. J. P. Srivastava
9. Kanoria (Bhagirath)
10. Kanoria R. K.
11. Kothari G. D.
12. Macneill & Barry
13. Mangaldas Jeysinghbhai
14. Surajmall Nagarmull
15. Tata
16. Thyagaraja
17. Walchand
18. Bajaj

The Committee wanted to know whether the NIDC had granted loans to big business houses at the cost of smaller business houses. The Managing Director, NIDC stated that NIDC sanctioned loans according to the criteria laid down by the Corporation for judging the suitability of the scheme from the technical point of view and there had been no case where the NIDC had refused assistance to the smaller business house in preference to the big business houses. The loan applications were sanctioned after assessment of the eligibility of the applicants, viability of the project and the capacity of the applicant to repay the loan.

2.16. **On a perusal of the list of loanees, the Committee are of the opinion that loans were granted to parties who could have, perhaps, raised the necessary resources of their own without the special aid of NIDC and the funds given to them could have been preferably made available to other parties whose position to raise such loans by other means was not equally strong.**

Rate of interest to be charged by NIDC from Jute and Cotton Textile Industries and Machine Tools Industries

2.17. The Government of India was granting loans to the Corporation @ 5 per cent for the disbursement of loans to jute and cotton textile industries and @ 4¾ for machine tool industries. These rates were increased by the Government of India (Ministry of Finance) from time to time as follows:

A. *For Machine Tool Industries*	
(i) Upto 19-12-62	@ 4¾%
(ii) 20-12-62 to 30-9-64	@ 5%
(iii) 1-10-64 to 30-4-65	@ 5½%
(iv) 1-5-65 to 30-9-65 and onward . . .	@ 6%
B. *For Jute and Cotton Textile Industries*	
(i) Upto 31-3-65	@ 5%
(ii) 1-6-65 onward	@ 5¾%

2.18. However, the then Ministry of Industry & Supply continued to grant the loans for Machine Tools Industries @ 4¾ per cent till 31st January, 1966 and the rate of interest was increased to 5½ per cent only with effect from that date.

2.19. The Corporation was granting loans to these industries @ 5 per cent, hence there was no margin left in the case of loans to

Jute and Cotton Textile Industries and there was a nominal margin of ½ per cent in case of Machine Tool Industries. Since there was practically no margin left to the Corporation to meet its administrative expenditure, the Government of India allowed the Corporation to increase the lending rate of interest to all these industries from 5 per cent to 6 per cent with effect from 31st July, 1960. Thus, with effect from that date the margin of profit increased to 1 per cent in the case of loans to Jute and Cotton Textile Industries and 1½ per cent in the case of loans to Machine Tools Industries.

2.20. However, as the Corporation had already committed to disburse the instalment of loans to the industries @ 5 per cent or 6 per cent as the case may be which had already been agreed to between the Corporation and the loanee companies at the time of finalisation of the loan agreements, the upward revision in the rate of interest payable by the Corporation to Government could not be passed on to the loanee companies because of there being no flexibility in the clause relating to interest chargeable in the agreements. Thus the margin available to the Corporation decreased from 1 per cent and 1½ per cent to ¼ per cent and ½ per cent in the case of Jute and Cotton Textile Industries and Machine Tools Industries respectively. This decrease in margin adversely affected the financial position of the Corporation and it resulted in the reduction of the Corporation's income by a sum of about Rs. 2 lakhs upto 31st March, 1968. As the Corporation had a commitment of over Rs. 164 lakhs of loans as on 1st April, 1968 still to be disbursed, this loss of income will further increase as and when the loan instalments were disbursed to the loanee companies.

2.21. While entering into agreements, no time limit for the drawal of loan instalments by the loanee companies was fixed and no provision for the increase in the rate of interest on the basis of the interest charged by the Government of India from the Corporation from time to time was made with the result that although in February, 1963, the Government of India had stopped the further processing of fresh applications, the Corporation had to meet such a high commitment of over Rs. 164 lakhs as on 1st April, 1968 *i.e.*, even after a lapse of more than 5 years. Thus, due to this, it has not been able to enforce the disbursement of loans so far and to pass on the increase in interest to the loanee companies.

2.22. During the course of evidence, the Managing Director, NIDC informed the Committee that the Corporation had taken up the matter with the Government for the waiver of the increase in the rate of interest for which their approval was still awaited. Pending decision of the Government, the Corporation made a provision of Rs. 1.14 lakhs in its accounts upto 1967-68 in respect of liability on account of increase in the rate of interest. The provision on this account in the previous year amounted to Rs. 85,000. A provision of Rs. 1,32,868 has been made in the accounts in the year 1968-69.

2.23. The Industrial Finance Corporation advanced loans at the rate of 8½ per cent per annum with a rebate of ½ per cent per annum for punctual payment of interest and repayment of instalments of principal. The rate is fixed by the Industrial Finance Corporation from time to time with the prior approval of the Industrial Development Bank of India. In the case of NIDC the Government of India was granting loans to the Corporation @ 5 per cent for the disbursement of loans to Jute and Cotton Textile Industries and @ 4¾ per cent for Machine Tool Industries. These rates were increased by the Government from time to time. However, as a result of increase in the rate of interest by the Government, the Corporation could not pass on the same to the loanee companies. The Corporation, therefore, paid higher rate of interest to Government and charged lower rate from the loanee companies.

2.24. **The Committee are surprised that the rate of interest charged by NIDC was kept much lower than the rate charged by the Industrial Finance Corporation. The Committee deprecate that neither any time limit for withdrawal of loan instalments nor any provision for increase in the rate of interest to be charged in the event of Government charging higher rates from the Corporation was made in the agreement with the loanee companies.**

III

DEFAULTS IN PAYMENTS

The progress of repayment of loans and payment of interest during the last five years is shown in the tables given below:

PRINCIPAL

(Rs. in thousands)

Year ended	Loan outstanding at the beginning of the year	Arrears of Principals outstanding at the beginning of the year	Amount of Principal due during the year	Total of cols. 3 and 4	Amount of principal received during the year	Default of Principal outstanding at the end of the year
1	2	3	4	5	6	7
31st March, 1965	10,92,90	1	95,83	95,84	95,31	53
31st March, 1966	11,30,28	53	1,13,25	1,13,78	1,02,06	11,72
31st March, 1967	10,99,04	11,72	1,50,46	1,62,18	1,42,50	19,68*
31st March, 1968	10,20,46	19,68	1,18,45	1,38,13	1,03,68	34,45*
31st March, 1969	9,53,34	34,45	1,55,32	1,89,77	1,38,21	51,56*

*Excludes amounts for which extension of time was granted.

INTEREST

(Rs. in thousands)

Year ended	Loan outstanding at the beginning of the year	Arrears of interest outstanding at the beginning of the year	Amount of interest due during the year	Total of cols. 3 &4	Amount of interest received during the year	Deafult of interest at the end of the year
1	2	3	4	5	6	7
31st March, 1965	10,92,90	..	58,50	58,50	58,20	30
31st March, 1966	11,30,28	30	62,73	63,03	59,86	3,17
31st March, 1967	10,99,04	3,17	62,53	65,70	56,44	9,26
31st March, 1968	10,20,46	9,26	60,61	69,87	52,49	17,38
31st March, 1969	9,53,34	17,38	57,89	75,27	44,93	30,34

3.2. The amount in default in respect of principal and interest as on 31st March, 1969 after excluding the amounts in respect of which extension of time had been permitted totalled to Rs. 51·56 lakhs and Rs. 30·34 lakhs respectively. A sum of Rs. 1·45 lakhs towards interest in arrears had since been recovered.

3.3. There were 14 concerns in default with NIDC out of which 3 concerns have closed down. The table given below shows the amounts which were due by way of principal and interest and the outstanding defaults on loans:

S. No.	Name of the Company	Amount defauled	
		Principal Rs.	Interest Rs.
1.	Minerva Mills Ltd.	12,00,000	9,06,671
2.	New Victoria Mills Ltd.	6,66,664	3,89,579
3.	Prabha Mills Ltd.	6,60,000	1,54,581
4.	Bengal Luxmi Cotton Mills Ltd.	6,15,999	2,88,362
5.	Hira Mills Ltd.	5,65,466	2,96,350
6.	Barathi Mills Ltd.	3,93,798	3,55,117
7.	Burhanpur Tapti Mills Ltd.	2,30,800	91,879
8.	Sh. Subhlaxmi Mills Ltd.	1,25,000	..
9.	Jaya Shankar Mills Barsi Ltd.	1,15,628	24,907
10.	Binod Mills Co. Ltd.	1,00,000	26,508
11.	Jahangir Vakil Mills Ltd.	..	63,010
12.	Keshav Mills Ltd.	..	42,057
13.	Khardah Company Ltd.	..	37,525
14.	M/s. Maheshwari Devi Jute Mills Ltd.	4,73,944	4,69,712
	TOTAL	51,47,299	31,46,258

3.4. The following are particulars of some major concerns which are in default in payment of interest and principal with the Corporation and the action taken against them by the Corporation:

1. *M/s. Minerva Mills Ltd.*

3.5. Out of the loan of Rs. 43·86 lakhs drawn by the Company, only a sum of Rs. 7·67 lakhs (including the sale proceeds of certain plant and machinery) has been repaid by the Company so far leaving a balance of Rs. 36:19 lakhs outstanding for payment.

3.6. The Company fell in default in making the payment of principal with effect from 23rd December, 1965 and 4 instalments of Rs. 3 lakhs each which became due upto 23rd December, 1968 have not yet been paid by the Company. Besides this, there has been a continuous default in the payment of interest also since 30th June, 1966 and a sum of Rs. 8·24 lakhs in outstanding from the Company on this account. Thus a total sum of Rs. 20·24 lakhs towards the repayment of principal and the payment of interest is outstanding as on March, 1969 against the Company.

3.7. Except the routine reminders and discussions with the representatives of the loanee Company no concrete steps for the realisation of the outstanding dues have been taken by the Corporation. In terms of mortgage deed all moneys due from the borrower became immediately payable if there is a default in the payment of instalment of principal or interest or if there is a reasonable apprehension that the borrower company is unable to pay its debt or it is carrying on business at loss, etc. The Corporation had a right either to sell the mortgaged premises, to enter upon and take possession of the mortgaged premises or to appoint a Receiver before or after taking possession of the mortgaged premises. But no such action seems to have been taken by the Corporation so far, nor has even a legal notice for the payment of the outstanding dues been served on the borrower company.

3.8. In September, 1966, the Corporation allowed the borrower company to sell their land measuring about 4 acres to the Employees State Insurance Corporation with the stipulation that the sale proceeds of the land would be remitted to the Corporation in payment of the 3rd instalment of principal and interest for the half year ending 30th June, 1966. The sale of land in question has not so far materialised.

3.9. **The Committee are unhappy to note that even the steps required of the Corporation to be taken in terms of the mortgage deed were not initiated at all barring issue of routine reminders and discussions with the representatives of the Loanee Company. The Committee are of the opinion that the Corporation has failed in the discharge of its responsibility owing to the defective provisions in the agreement and has failed even to take the legal steps. The Government should have examined the question of taking steps to safeguard its financial interest.**

2. *New Victoria Mills*

3.10. Total outstanding from the Company as on 31st March, 1969 amounted to Rs. 19,12,456. The Corporation holds first charge only on new plant and machinery worth Rs. 21.54 lakhs which was purchased in 1959 from the loans advanced. As a result of depreciation written off on the said new plant and machinery over the several years it has been in use its written down value has fallen short of the amount which the Company now owes to the Corporation. The Mill is not working since it was finally closed on 21st January, 1968 as a result of strike in the Mill. The Company's fixed assets stand attached for the recovery of Provident Fund and Sales Tax arrears though the Corporation has obtained an order of the court concerned to the effect that the Company's property mortgaged with the Corporation and attached for recovery of Government dues could be sold only subject to the prior charge of the Corporation. The sale of the Company's property under attachment has however not yet taken place.

3.11. **The Committee feel that the question of appointment of an Authorised Controller for the Mill should immediately be taken up by the Ministry of Foreign Trade and Supply.**

3. *M|s. Bengal Laxmi Cotton Mills Ltd.*

3.12. M|s Bengal Laxmi Cotton Mills Ltd., Calcutta were sanctioned a loan of Rs. 30:8 lakhs on 23rd January, 1959 repayable in 15 instalments of Rs. 2,05,335 each. The Company executed the mortgage bond in August, 1960 but the date of repayment of 1st instalment was fixed as 1st October, 1961. The amount of loan was, however, subsequently reduced to Rs. 27.88 lakhs consequent on certain deviations made by the company in their approved scheme, but the amount of instalment was not correspondingly reduced. The Company have so far drawn a sum of Rs. 23.86 lakhs of which Rs. 8:61 lakhs has since been repaid by them. The loan outstanding at present thus amount to Rs. 15:25 lakhs.

3.13. The Company defaulted in the payment of principal as well as interest in respect of the loan advanced to them and a sum of Rs. 6:16 lakhs towards principal and Rs. 2:68 lakhs towards interest were outstanding from them as on 31st December, 1968. The Company was not regular in repayment of principal even before 1st October, 1966 and it had requested the Corporation that the repayment of 6th instalment due on 1st October, 1966 might be extended to 31st January, 1967 and the repayment of the outstanding loan of Rs. 15:25 lakhs to be allowed in ten annual instalments of Rs. 1:52 lakhs each. Their request was not acceded to by the Corporation and the Company was asked to arrange payment of the instalment due on the date. The company however, remitted a cheque for Rs. 1,52,490:80 on 31st January, 1967 towards the payment of the sixth instalment but the same was not accepted and cashed by the Corporation on the advice of their solicitors. The Corporation wrote to the Company to give their consent to treat the above cheque as part payment towards the repayment of 6th instalment The Company, however, kept silent over this matter and in the meantime the cheque became stale.

3.14. Similarly, the Company had been requesting the Corporation to charge interest @ 5 per cent instead of penal interest @ 7½ per cent but their request was not acceded to. The cheque for Rs. 38,122:70 sent by the Company in payment of interest for the half year ending on 30th June, 1967 @ 5 per cent was also not accepted and cashed by the Corporation on the advice of their solicitors. The above cheque received from the Company on this account thus became stale.

3.15. The Company has not paid any dues and the amounts as verified above are still outstanding. The Board of Directors in their meeting held on 28th October, 1968 directed that a report on the technical and financial aspects of the company proposals should be obtained from the Textile Commissioner. The matter was referred to the Textile Commissioner on 15th November, 1968. The report of the Textile Commissioner is still awaited. The Board of Directors at their meeting held on 31st January, 1969 decided that as the report of the Textile Commissioner might take some time, the required report should be prepared by the officers of the Corporation by an on-the-spot inspection of the mills. In their Audit Report (Part I|B) on the accounts of NIDC for the period 4|68 to 9|68 the Auditors have stated as follows:

> "However, it was not clear from the records whether an on the spot inspection of the mills was made by the officers of the Corporation as no report in respect of their inspection was available in the records made available to audit."

3.16. From the information available with the Committee it is seen that the Company remitted a cheque to the Corporation for Rs. 1,52,490:80 on 1st February, 1967 towards repayment of the 6th instalment of Principal as against Rs. 2,05,333 due from them. Similarly, the Company remitted a cheque for Rs. 38,122·70 on the

30th June, 1967 towards payment of interest as against Rs. 53,714:04. The Solicitor had advised the Corporation that the cheques could be accepted in part payment and without prejudice to the rights of the Corporation. Ignoring the Solicitor's advice, the Corporation allowed the two cheques to lapse. The Committee are of the opinion that the Corporation should have accepted the two cheques and then followed up for the balance. They note that the officers of the Corporation entrusted with the preparation of a report by an on the spot inspection failed to submit the report after such a long time. The Committee are disappointed at the indifferent manner in which the entire dealing was handled by the Corporation.

4. *M|s Hira Mills Ltd.*

3.17. M|s. Hira Mills Ltd., Ujjain were sanctioned a loan of Rs 42:41 lakhs in April, 1960. The Company, however, drew a sum of Rs. 35·57 lakhs only out of which an amount of Rs. 10·32 lakhs has been repaid by the Company. The loan outstanding at present is Rs. 25·25 lakhs. Out of this amount a sum of Rs. 5,65,466 representing the 5th and 6th instalments of principal fell due for payment in July, 1967 and 1968. In addition to this interest amounting to Rs. 2·85 lakhs was also due for payment for the half years ended 31st December, 1967, 30th June and 31st December, 1968. The subsequent instalment that fell due in June, 1969 was also not paid by the Company.

3.18. The Company is under the management of an Authorised Controller since March, 1966. The Authorised Controller has requested that repayment of the loan may be deferred for a period of one year.

3.19. The working results of the Company prior to and after the grant of loan showed that the Company was incurring heavy losses year after year. The cumulative loss on 31st December, 1959, *i.e.*, prior to the sanctioning of the loan, was Rs. 37·98 lakhs which increased to Rs. 60 lakhs in March, 1966 when the Company was placed under the management of the Authorised Controller.

3.20. The Corporation has recommended to the Government that the company should be taken over by the National Textile Corporation. The Government's reply to this is awaited.

3.21. **The Committee are of the opinion that the working of the Mill was not satisfactory at the time of granting the loan. Also that**

the Company did not have sufficient working capital at the time of sanction of the loan or after the grant of the loan. The Committee, therefore, deprecate the practice of granting loans without examining the soundness of the borrowing company. They would also suggest to the Government to take a quick decision regarding the Corporation's recommendation that the Company which is under the management of the Authorised Controller should be taken over by the National Textile Corporation.

5. *Binod Mills Company Ltd.*

3.22. The Company were sanctioned a loan of Rs. 20 lakhs on 23rd January, 1960 out of which a sum of Rs. 9·43 lakhs was repaid by them leaving a balance of Rs. 10·57 lakhs still to be recovered. The seventh instalment of principal amounting to Rs. 1,33,333 fell due for repayment on 1st February, 1968. But the Company informed the Corporation that due to very acute financial position they would not be in a position to make payment of the instalment on due date and requested that they might be allowed to pay that instalment as the last instalment of the loan.

3.23. Company's request was considered in the meeting of the Executive Committee of Directors held on 18th March, 1968 and it was decided not to accept their proposals. They further directed that in view of the default committed by the Company they should not be allowed the rebate in the rate of interest as admissible under the mortgage deed and should be charged interest @ 7½ per cent per annum on the entire loan outstanding until the instalment in question has been paid by them.

3.24. The Company remitted on 1st November, 1968 a sum of Rs. 33,333 only towards the 7th instalment of Rs. 1,33,333 which fell due as early as 1st February, 1968. In the meantime, the 8th instalment of principal amounting to Rs. 1,33,333 had also become due for payment on 1st February, 1969 which has also not been paid by the Company. No specific proposals for the payment of the arrears as promised by the Managing Director of the loanee company during discussion with the Managing Director of the Corporation have also been received so far even after a lapse of about seven months. A total sum of Rs. 2,33,333 towards the repayment of the instalment of principal is thus outstanding as on date.

3.25. A penalty clause for levying the interest at the rate of 7½ per cent instead of 5 per cent in case of default in making payment of half yearly interest on due dates was provided in the mortgage deed. But no such provision for levying the penal rate of interest in case of default in making repayment of the principal on due dates was made in the agreement with the result that the Corporation has not been able to recover any penal interest from the loanee company although there is a continuous default in repayment of principal since 1st February, 1968. This has, thus, resulted in a loss of Rs. 27,000 approximately upto February, 1969 alone to the Corporation due to defective terms of the Agreement.

3.26. **The Committee feel that except for the issue of routine reminders, no action was taken by the Corporation for the realisation of dues. The Committee also deprecate that no penalty clause for levying the penal rate of interest in case of default in making repayment of the principal on due dates was made in the Agreement resulting in heavy losses to the Corporation.**

6. *M/s. Maheshwari Devi Jute Mills*

3.27. In March, 1959, the Company applied for a loan of Rs. 21.41 lakhs for the modernisation of its mills. The Jute Loan Advisory Committee did not recommend the loan on the ground that the margin of security in respect of assets offered for mortgage would be 10.5 per cent as against the minimum margin of 20 per cent stipulated by the Corporation. The Loan Advisory Committee had, however expressed the opinion that if the Corporation and Government intended to grant the loan to the loanee in view of the special nature of the case, they might do so. The Board decided to grant a loan of Rs. 8 lakhs in April, 1959, out of which a sum of Rs. 7.25 lakhs was disbursed in July, 1961.

3.28. The loanee had continued to incur heavy losses (the accumulated losses as on 30th September, 1961 being Rs. 11.74 lakhs), and it again applied for a second loan of Rs. 12.46 lakhs on 30th September, 1961. The Jute Loan Advisory Committee to which the loan application had been referred, did not make any recommendation, but felt that the application of the loanee should be referred to the Board of the Corporation for a decision.

In September, 1963 the Board sanctioned a second loan of Rs. 9.5 lakhs. The margin of security in respect of assets offered for mortgage was 15.5 per cent. The loanee drew a sum of Rs. 7.98 lakhs against the second loan.

3.29. On 4th May, 1965 the High Court passed a decree for Rs. 2.54,459.81 together with interest and costs against the loanee for the non-payment of the dues of a private party.

3.30. As the loanee did not pay the interest on the two loans due on 30th June, 1965, a notice was served on the loanee on 17th September, 1965 requiring full discharge of its liabilities to the Corporation. No payment was, however, made by the Company.

3.31. In April, 1966 the property of the loanee was attached by the Court on account of the recovery of Sales Tax arrears, dues of the Employees State Insurance Corporation etc. amounting to Rs. 6.96 lakhs. On an objection being filed by the Corporation in the Court againts the attachment of the loanee's property the Court passed orders on 7th November, 1966 that the property could be sold subject to the prior charge of the Corporation.

3.32. On 27th September, 1967 the properties of the loanee were auctioned for a sum of Rs. 20.15 lakhs. The sale was confirmed by the Commissioner, Allahabad on 31st October, 1968 subject to the charge of the Corporation. But the sale proceeds of Rs. 20 lakhs being the Government dues would be paid in the first instance and not the dues of the Corporation.

3.33. Under Clause 2 of the 1st mortgage deed it was lawful for the Corporation at any time without any further consent of the company to sell or to concur with any other person in selling the mortgaged premises or any part thereof, either by public auction or through private contract, without the intervention of the Court. Further, under Clause 6 of the mortgage deed, the Corporation had also the right to appoint any of its officers as Receiver of the mortgaged premises and all the provisions, powers and Trusts contained in Section 69A of the Transfer of Property Act, would apply to the receiver.

3.34. The Committee are surprised to note that inspite of the Jute Loan Advisory Committee's opposition to recommend the granting of the first loan, the Corporation deemed it fit to grant this loan. Further, knowing that the loanee had continued to incur heavy losses, a second loan was granted to the company. As the loanee Company did not pay the dues of the Corporation and committed default in terms of mortgage deed the Corporation had become entitled to exercise the powers given to it under the mortgage deed either to sell the property or to concur in selling the property or to appoint a receiver. Regardless of continuous default by the loanee Company no action was taken by the Corporation to sell the property or to appoint a receiver. Also the reasons as to why the sale of the property by the Court was not contested by the Corporation is not known. The Committee are of the view that the Corporation had committed a great blunder by agreeing to the sale of the mortgaged properties by the

Court and ignoring to take the possession of the mills, with the consequence that the expenditure incurred on litigation became unavoidable and the realisation of the dues of the Corporation became far from assured.

IV

TECHNOLOGICAL CONSULTANCY BUREAU

The Technological Consultancy Bureau was set up as a part of the National Industrial Development Corporation in the latter half of 1960 with a view to providing consultant engineering services for a variety of engineering facilities particularly in the Public Sector and also to give a proper lead to the satisfactory growth of such services which are essential for the planning and engineering of new industrial undertakings. The Bureau is headed by the Chief Consultant, who in the discharge of his administrative and technical functions, is assisted by the Deputy Chief Consultant.

4.2. With regard to setting up a Technological Consultancy Bureau by the NIDC, the Estimates Committee in their 122nd Report (1960-61) on NIDC had observed:—

> "The Committee were somewhat surprised to learn that in setting up a Technological Consultancy Bureau of such importance with potentiality to grow very big, the NIDC had not subjected the scheme to any scientific examination and to obtain a report. The Committee suggest that such a Bureau is too important to be launched without a proper detailed scientific investigation by fully competent hands and hope that before setting up the Technological Consultancy Bureau, such an investigation will be made and a comprehensive report obtained on the various aspects of the project which among others should include the technical possibilities, the scope and nature, the personnel required and availability, the cost and its economics etc. They also suggest that the project report may be published before its adoption."

The Government in their reply dated 23rd October, 1961 had stated as follows:—

> "It is understood that the NIDC Board had considered this matter at great length in consultation with the industrialist-members of the Board and technical Directors. It was considered that the setting up of such a bureau would fill the gap in regard to consultancy arrangement in the country

and may ultimately lead to training of man-power to undertake consultancy and design work and considerable saving in foreign exchange".

The Committee made the following observations on the above reply in their Twentieth Action Taken Report (1962-63) :—

"The recommendation of the Committee was that an important project like the Technological Consultancy Bureau should not be launched without a comprehensive project report on the various aspects set out in the original recommendation. The Committee, therefore, reiterate their recommendation."

4.3. **The Estimates Committee in their 122nd Report (Para 16) on the working of the NIDC had recommended that an important project like the Technological Consultancy Bureau should not have been launched without a comprehensive project report on the various aspects and suggested that the project may be published before its adoption. In the absence of a specific reaction of the Government to this suggestion, the Committee reiterated their recommendation in their 20th Action Taken Report (3rd Lok Sabha). Having gone through the merit of the working of the NIDC, the Committee are convinced that such a project as the TCB should not have been launched without a proper project report. The Committee highly deprecate the tendency on the part of the Government to flout the recommendation contained in the 122nd Report (1960-61) of Estimates Committee and further reiterated in their 20th Action Taken Report (1962-63) and are compelled to reiterate it for the third time.**

4.4. The functions of the Technological Consultancy Bureau include:—

(i) Study of demand patterns for industrial products;

(ii) Techno-economic studies and evaluations essential for determining size and pattern or production of industrial facility;

(iii) Detailed studies and investigations for new plant locations;

(iv) Preparation of detailed Project Reports;

(v) Preparation of detailed engineering designs and specifications;

(vi) Technical assistance in evaluation of equipment offers and procurement and inspection thereof;

(vii) Services of a Consultant during stages of equipment manufacture, plant construction, erection and start up; and

(viii) Overall consultant supervision during plant construction.

4.5. The Bureau has a number of functional divisions including those of Industrial Planning, Mechanical Engineering, Electrical Engineering, Civil and Structural Engineering, Industrial Architecture and Town Planning, Metallurgical Engineering, Chemical Engineering Production Engineering, Mining, Industrial Economic and Statistics etc.

4.6. The Functional Divisions are manned by engineers and technologists with professional background in their respective field of activity. During the course of evidence the Committee enquired whether the Government was satisfied with the performance of NIDC and whether the Government had ever enquired the reasons from NIDC for not undertaking sufficient number of assignments for actual establishment of industries, engineering works, etc., the Secretary, Ministry of Industrial Development stated that all could not lead to detailed project reports because the preliminary project reports were not a guarantee for carrying on a project, since reports could also be dropped. Asked by the Committee that since the NIDC had developed into a full fledged consultant engineering organisation why the Government still depended more on foreign collaboration in almost all fields of engineering, the Secretary, Ministry of Industrial Development stated that the NIDC was still in a developing stage and it would take about 10 years to build up into a large organisation. Regarding foreign collaboration, the Secretary stated that the Government now depended less and less on foreign collaboration.

4.7. The Committee feel that the NIDC had mostly undertaken assignments for Technical Appraisals, Demand Surveys or general studies and not undertaken sufficient assignments for the actual establishment of Industries. With technologists having professional background in their respective fields of activity, the NIDC should have been in a position to handle assignments of more concrete nature.

4.48. It has been stated that (a) Technological Consultancy Bureau has no research facilities of its own. However, as a part of its assignments, it has had test equipment manufactured and research work carried out by other agencies; (b) In fulfilling assignments in the field of Consultant Engineering, the NIDC has often sought and obtained help and assistance from other specialised agencies, such as

National Laboratories, Research Institutions, Industrial Plants, etc. for getting specialised assistance or advice on getting portion of the work done in such institutions.

4.9. Similarly, the NIDC has also obtained help and assistance from a number of specialists to provide specialised guidance to NIDC for some of its assignments. It has been the policy of the NIDC to supplement and complement the specialised knowledge available within its own organisation by expertise residing in institutions and among individuals within the country to the extent available, and outside the country when necessary. Specialists are not employed by the Corporation on a full time basis, but they are available for guidence etc. to the NIDC Engineers.

4.10. Asked by the Committee as to why during all these years the NIDC has not tried to set up research laboratory of their own, the NIDC has stated that Consultancy Organisation like the NIDC which is required to deal with a very wide spectrum of industrial development, cannot set up its own research facilities for all such areas as this would become extremely expensive. The NIDC has been taking advantage of the facilities already established in the country, particularly in the National Laboratories for having its research work done.

4.11. The consultant engineering services rendered by the Corporation maintained a steady growth during the last four years. The utilisation of engineering capacity grew from 20,470 engineering days during 1964-65 to 33,488 days in 1965-66, to 43,622 engineering days during 1966-67. The value of services rendered increased from Rs. 13 lakhs in 1964-65 to Rs. 43.53 lakhs in 1968-69. The value of services during the previous year was Rs. 27.69 lakhs. The foreign exchange earnings by rendering consultancy service abroad amounted to a total billing of Rs. 6.13 lakhs as compared to Rs. 5.04 lakhs in the previous year. The actual amount in foreign exchange realised during the year 1968-69 was Rs. 6.75 lakhs as compared to Rs. 3·93 lakhs in 1967-68.

4.12. The Bureau was set up in the latter half of 1960 and upto June, 1968 it has built up a strength of a little over 200 technical personnel, of whom 175 are graduate engineers including nearly 25 foreign qualified persons. It has completed 110 assignments in India and 6 assignments abroad. The technical manpower in the Bureau has kept pace with the increasing number of assignments which the Bureau has been called to handle and its earnings have risen from approximately Rs. 2 lakhs in 1961-62 to Rs. 43.90 lakhs in 1968-69. The earnings comprise a sum of Rs. 37.77 lakhs for services rendered in India and a sum of Rs. 6.13 lakhs for services rendered abroad.

These earnings are from the fees paid to the Bureau for Consultant Engineering Services rendered by it. The fees are charged in accordance with the schedule of charges laid down by the Board of Directors of the NIDC.

4.13. The working result of consultancy services for the year 1968-69 is as under:—

(Rs. in Lakhs)

Income	*Expenditure*	*Gross Profit*	*Provision for tax*	*Net Profit*
44.03	*35.16*	*8.87*	*1.94*	*6.93*

4.14. The Bureau handled a total of 42 assignments during the year 1967-68 of which particular mention may be made of the following:—

(i) Assistance in building up Industrial Development and Renovation Organisation of the Government of Iran.

(ii) Detailed designing and engineering of Bharat Heavy Plate &Vessels Ltd., Visakhapatnam.

(iii) Detailed designing and engineering of the Marine Diesel Engine Plant for the Ministry of Defence.

(iv) Detailed designing and engineering of Korba Alumina Plant.

(v) Report on Pumps and Compressors Project.

(vi) Techno-economic evaluation of Tractor Project, Power Equipment Project in Iran.

4.15. A significant development during the year 1967-68 had been the appointment of the Corporation by the Industrial Development and Renovation Organisation of Iran as consultants to assist in the establishment of a consultancy organisation in Iran. Through this organisation, the Corporation has secured four assignments during the year 1967-68, of which one is the preparation of a Project Report for a Wagon Building Plant in Iran.

4.16. **From the statement of NIDC officers deputed abroad on a certain assignment, it is observed that for the Evaluation, Scrutiny| Technical appraisal of Preliminary Project Reports, the NIDC engineers did not visit the actual site. The Committee are suprrised that for a detailed report about a project, the NIDC engineers could submit a report without visiting the actual site.**

4.17. The Corporation continued to get assignments from private sector out of which special mention may be made of the following:—

(i) Preliminary Project Report on 'Aluminium Foil fibre-reinforced cans project'.

(ii) Preliminary Project Report on 'Electronic Components Project'.

(iii) Technical appraisal of Central India Machinery Manufacturing Corporation.

4.18. The Corporation has, during the year 1968-69 rendered a wide range of consultancy services both at home and abroad. The services rendered related to complete Project Engineering including preparation of Detailed Project Reports and working drawings etc., as well as assistance in site supervision. Services were also rendered in respect of formulation of industrial programmes, feasibility studies and rehabilitation and diversification schemes for existing plants.

4.19. The NIDC in a note furnished by them have detailed the following procedure adopted by them regarding pricing policy:

"The basis for the fees quoted on any assignment is a detailed estimate of the technical effort involved. For this purpose, as soon as an enquiry is received for which a price quotation has to be made, all concerned functional Divisions meet and break down the total assignment into its component work elements. The next step is the estimate of time effort for various categories of technical personnel against each one of such work elements.

The basis for estimating the time effort against any work element is, largely, the past performance record or similar assignments. Since 1962, the organisation has maintained detailed time records for various works that it has undertaken. Each technical employee below the level of the Chief of a Functional Division completes this time record wherein he records the time spent against each specific job date-wise. Information from these time record sheets are consolidated to give the actual time spent on various jobs.

From this information, the Functional Division Heads estimate the time requirements for each category of technical personnel for the various work components on a propspective assignment. Understandably there are, in any new assignment, certain work elements which will not coincide with similar work done in the past. In this case, a judgment is arrived at by the concerned Functional Head and the same is provided for in the estimate.

Thereafter, the fees to be quoted are determined by Management keeping in view factors such as profit margin, need to develop a new client, need to enter a new field, possible foreign exchange earnings etc."

4.20. One important project completed during the year was a plant for the production of Rosin and Turpentine based exclusively on indigenous technology, design|engineering which went into commercial operation recently. The Corporation, however, incurred an expenditure of Rs. 1,53,002|- as against an earning of Rs. 57,000|- only on this project. During the course of evidence, the Committee wanted to know the reason for this variation.

The Managing Director, NIDC stated as follows:—

> "This job was taken at a reduced price as it was the first job taken on turn-key basis. Also, a lower fee was charged as Himachal Pradesh is a relatively lesser developed area."

The Committee wanted to know whether the NIDC was giving similar concessions to other lesser developed areas and how were the fees charged. The Managing Director NIDC stated as follows:—

> "The approval of the fees to be charged has been left to the Managing Director by the Board."

4.21. **The Committee are not happy over the fact that the Managing Director has been left with the sole powers of settling prices even though at the cost of the Corporation. The Committee are not convinced of the argument that a reduced price was charged because this was the first job taken on turn-key basis and that lower fee was charged because of Himachal Pradesh being relatively a lesser developed area. The Committee are of the opinion that the Board of Directors have failed to give any guideline to the Managing Director in regard to reducing the fees. They feel that such cases charging lower prices should have been placed before the Board of Directors for their concurrence.**

4.22. The Corporation's consultant engineering operations in international markets gained further recognition and groundwork has been prepared for a substantial break-through in the coming years.

4.23. For detailed Project Report of Machine Tool Accessories, on behalf of William Jacks & Co., London, the Corporation incurred an expenditure of Rs. 90,831|- as against an earning of Rs. 25,000|-. During the course of evidence the Managing Director explained that the variation was due to the fact that this was one of the first jobs received from abroad for which payment was to be made in Foreign currency. The fees were kept low and additional effort was put in to convince the foreign firm of our capability to do such work. Asked by the Committee whether it was not unusual to incur such a heavy loss just to convince the foreigners about our capability, the Managing Director stated that it was a known fact that the NIDC was incurring a loss and the Government did not know specifically about this as the Board of Directors had left fixation of fees with the Managing Director.

4.24. **The Committee are surprised that the Corporation knowingly suffered a loss of Rs. 65,831|- for preparing detailed Project Report of Machine Tool Accessories, on behalf of William Jacks & Co., London merely because this was one of the first jobs received from abroad and the Corporation wanted to convince the foreign firm of their capability to do such work. Further, the Committee note that the Board of Directors had left the fixation of fees (including under charging) with the Managing Director and the Government too was not kept informed in this specific case that the NIDC was losing money on taking this foreign assignment. The Committee feel that cases, where the price to be charged fell short of the estimated cost, should have been dealt with the prior approval of the Board of Directors if not of the Government.**

4.25. The value of services rendered during the year 1968-69 amounted to Rs. 43.53 lakhs as against Rs. 27.69 lakhs in the previous year. The foreign exchange earnings amounted to Rs. 6.13 lakhs as against Rs. 5.04 lakhs in the year 1967-68. The actual foreign exchange realised during the year 1968-69 was Rs. 6.75 lakhs.

4.26. Out of the total consultancy work carried out by the Corporation during the year 1968-69, over 95 per cent related to Project Engineering, comprising preparation of Detailed Project Reports and Detailed Engineering including assistance in site supervision during construction, erection and commissioning. Compared to the previous year's performance, the relative proportion of services rendered (in terms of money value) is as follows:—

	1967-68	1968-69
1. Project Engineering	84%	96·5%
2. Project Planning and Pre-Project investigations (feasibility studies, preliminary project reports etc.)	16%	3·5%

4.27. The major assignments that were undertaken during the year included—

(a) Complete engineering of the Rosin and Turpentine Factory at Bilaspur, Himachal Pradesh. The plant was completely designed by the Corporation without any foreign exchange expenditure, and the design was evolved around Indian equipment, Indian know-how and Indian engineering and operating skills. The plant has been successfully commissioned and is now in actual commercial production.

(b) Complete engineering of Heavy Plate and Vessels Plant, Visakhapatnam. The design engineering has been completed and construction and erection are in progress.

(c) Korba Alumine Plant for M|s Bharat Aluminium Co. Ltd. The detailed design work is in progress. In designing this Plant, the Corporation is maximizing the use of India equipment which is estimated to account for more than 90 per cent of the total value of equipment required for this major project.

(d) Marine Diesel Engine Plant for M|s Garden Reach Workshop, Calcutta. Almost all the design work for the Plant has been completed.

(e) Grinding Machine Tool Plant at Ajmer. The design work for this project was completed by the Corporation earlier and the construction is now in progress. The Corporation has also been commissioned to design the associated township facilities for this Plant.

(f) Project Report for manufacture of Tractors utilizing existing surplus capacities in various Public Sector units. The report has been submitted to Government.

(g) Preparation of Project Report for manufacture of Gas Cylinders in the Public Sector. The Report has been submitted to Government.

(h) Detailed engineering work on M|s Hindustan Organic Chemicals Limited Intermediate Plant at Panvel was continued during the year.

4.28. The Corporation continued to assist the Industrial Development and Renovation Organisation of the Government of Iran in the establishment of a consultancy organisation there. The Iranian Consultancy Organisation (TECHNOLOG Inc.) has already achieved a certai nmeasure of recognition both in the private and public sector of Iranian industry and is enlarging its work force as well as its work capabilities.

4.29. Apart from assisting in the capacity and capability build-up of TECHNOLOG Inc. the Corporation has assisted it in various assignments including the designing of an Industrial Estate, studies relating to the establishment of a Lead and Zinc Smelter and a Wood Working Complex in Iran.

4.30. The other foreign assignments completed during the year 1968-69 included:—

(i) A Techno-Economic Survey of Southern Yemen for Industrial Planning was submitted through the Ministry of External Affairs.

(ii) A Project Report on Mill|Straw Board was prepared for M|s. Africindo Industrial Development Corporation of Kenya.

(iii) On behalf of the Ministry of External Affairs, the Corporation selected, inspected and shipped machinery and equipment for the establishment of an Industrial Training Institute in the Nairobi Industrial Estate in Kenya.

4.31. Major assignments for the coming years are under negotiations both at home and abroad. It is anticipated that the Corporation would have to further build up its technical service specialities and capacities to meet these demands.

Outstanding claims for the services rendered by TCB

4.32. As on 13th August, 1969 a sum of Rs. 12.71 lakhs was outstanding against various parties for the services rendered by the Corporation from time to time. Out of this a sum of Rs. 12.46 lakhs is outstanding from Public Sector Undertakings and a sum of Rs. 0.25 lakhs from Government and private sector. In certain cases the amount is outstanding for a considerable long time and in a few cases even for more than three years.

4.33. The main reason for the accumulation of such heavy amount is that no penalty clause for the delayed payments was provided for in any of the agreements entered into by the Corporation. It is generally seen that in such contracts either an incentive by way of rebate for prompt payment is allowed to the parties or a penalty clause included in the contracts to ensure timely payments. But this was lacking in the agreements with the result that the amounts remained outstanding for a considerable long time for which no recourse was open to the Corporation except the issue of reminders to the parties concerned.

During the course of evidence the Managing Director, NIDC stated as follows:—

> "During the last two years or so when we found that our money was not being paid in time, we had introduced a clause of interest to be payable to us if payment is not made within thirty days of the due date. But I must submit that in spite of that clause being put by us, the Government and the public sector Undertakings in these cases have refused to accept this from us. We have to give up even this clause of interest payable to us. But what we have laid down is that instead of taking payment in lumpsum as and when the work is done, we take progress payments. Now our agreements call for a time schedule for payment. We take generally 10 to 20 per cent payment in advance before we start our work and the balance of money is paid to us in timely instalments—monthly or quarterly. As a result of that, now new orders are not running into arrears."

9.34. **The Committee regret that the desirability of providing a penalty clause or an incentive to ensure timely payments was not thought of by the NIDC till 1967.**

V

FINANCIAL POSITION

(a) Capital

The authorised share capital of the Corporation is Rs. 1 crore divided into 1,00,000 ordinary shares of Rs. 100 each. Its subscribed and paid-up capital amount to Rs. 10 lakhs. In view of the arrangement for making funds available to the Corporation for the grant of loans, and taking up of projects, the need for the Corporation increasing its share capital has not arisen. As far as projects are concerned, the Corporation is undertaking these on the basis of payment of fees. As regards loans, the funds are provided by the Government to the Corporation in the form of loans. These are drawn as and when the Corporation in its turn is required to make disbursements of loans to borrower companies. The amounts borrowed from the Government are repaid as soon as recoveries of instalments of principal are made from the borrower companies. Similarly, interest on loans from the Government is also remitted to Government on receipt of the same from the companies. The advantage of this arrangement is that the funds are not necessarily blocked which may be likely, if the Corporation had increased its share capital for financing the loans operations out of its own resources.

5.2. An analysis of the accounts of the Corporation for the last three years is given below:—

(Rs. in lakhs)

	1966-67	1967-68	1968-69
Liabilities			
(a) Paid-up capital	10·00	10·00	10·00
(b) Reserve & surplus . . .	17·16	17·61	19·65
(c) Borrowings from the Government of India	1019·49	955·00	840·80
(d) Trade dues & other current liabilities	54·78	58·36	94·11
TOTAL . . .	1101·43	1040·97	964·56

Assets			
(a) Gross block	4·91	6·00	6·68
(b) Less: Depreciation . . .	1·66	2·35	2·92
(c) Net fixed assets . . .	3·25	3·73	3·75
(d) Investments . . .	5·11	6·96	10·24
(e) Current assets, loans and advances	1093·07	1030·29	948·10
TOTAL . .	1108·00	1049·33	971·69

(b) Funds|Borrowings

5.3. The Corporation has no funds of its own to finance its loan operations. The funds required for this purpose are provided by the Government in the form of loans as and when any amount is to be disbursed to a company to which the loan has been sanctioned.

5.4. The total borrowings from the Government of India as on 31st March, 1968 stood at Rs. 1839.30 lakhs. A further sum of Rs. 25 lakhs was borrowed from the Government during the year 1969 for disbursement of loans as against Rs. 43.11 lakhs in the year 1968. The total borrowings from the Government as on 31st March, 1969 thus amounted to Rs. 1864.30 lakhs. The amount repaid during the year was Rs. 139.20 lakhs as against Rs. 107.60 lakhs in 1967-68. The total amount repaid to the Government upto 31st March, 1969 amounted to Rs. 1023.50 lakhs. The balance outstanding at the end of the year 1968-69 thus amounted to Rs. 840.80 lakhs.

Special Reserve Fund

5.5. At the request of the Corporation, the Central Government have approved the Corporation as a financial Corporation under clause (viii) of sub-section (i) of section 36 of the income-tax Act, 1961 with effect from 1st April, 1964. In order to claim exemption from tax as provided under section 36(i) (viii) of the Income-tax Act, 1961 a Special Reserve has been set up with the approval of the Government by transfer of a sum of Rs. 5 lakhs to this Reserve in the manner indicated below:—

For the years 1963-64 and 64-65 from General Reserve	Rs. 1.69 lakhs

For the years 1963-64 and 64-65 from General Reserve — Rs. 1.69 lakhs

For the years 1965-66 to 67-68 from the surplus — Rs. 3.31 lakhs

A sum of Rs. 2,45,450 has been transferred to this Reserve from the surplus of the current year.

Provision for Income-tax

5.6. Hitherto no provision had been made in the accounts for tax liability in respect of profits relating to excess of income over expenditure for the years 1963-64 to 1967-68 as the question whether the profits of the Corporation were liable to tax had not been decided. While completing income-tax assessment of the Corporation for the financial year 1963-64 (assessment year 1964-65) the income-tax authorities have held that the surplus of the Corporation was subject to tax. Accordingly a sum of Rs. 1,01,148 assessed as income-tax for the year 1963-64 has been met out of the surplus of earlier years. The required provision for income-tax in respect of the accounting years 1964-65 to 1967-68 has been made by appropriating the same against the balance which was being brought forward on the Profit and Loss Account from the year 1965-66 onwards and from the surplus for the year 1968-69.

(c) Repayment of Principal and payment of interest

5.7. The table below shows the amounts which were due by way of principal and interest and the amounts in defaults under each category during the last 5 years:—

Principal *Interest*

(Rs. in thousands)

Year ending 31st March	Amount due	Amount in default	Amount due	Amount at default
1965	9583	53	5850	30
1966	11325	1172	6273	317
1967	15046	1968	6253	926
1968	11845	3445	6061	1738
1969	15532	5156	5789	3034

5.8. As on 31st March, 1969, a sum of Rs. 51.55 lakhs was in default in respect of principal and an amount of Rs. 30.34 lakhs was in arrears in respect of interest.

5.9. The number of mills at default as on 31st March, 1968 was 14. Out of these, 4 were Jute Mills and the remaining 10 Cotton Mills. One Jute Mill and two Cotton Textile Mills have been lying closed for some time. Two textile mills are under the management of authorised controllers. The main reasons for default by the cotton textile mills is stated to be the recession in the textile industry in general resulting in accumulation of stock and paucity of working finance.

5.10. The Committee pointed out that reasons for not realising oustanding dues from various companies all pointed to the fact that the Corporation had not proceeded in a proper manner for the recovery of loans. The Audit also pointed out that the NIDC lacked in efforts for realisation of dues. The Committee were of the opinion that the recovery of loan should be handed over to the Industrial Finance Corporation. During the course of evidence, the Secretary, Ministry of Industrial Development stated that the Government Director on the Board of the Corporation had always insisted on concrete efforts for realisation of outstandings. But normally, when there was default, one did not automatically take legal action. Some time had to be given for discussion and little accommodation. If these things did not help then of course legal action had to be taken.

With regard to entrusting the job of realisation of outstandings to the Industrial Finance Corporation, the Secretary, Ministry of Industrial Development stated as follows:—

> "As regards the work being transferred, we ourselves feel that this work is not proper for the National Development Corporation, as it is functioning at present. And their main work is consultancy. And therefore, so far as we are concerned, we have asked the Ministry of Foreign Trade, if the National Textile Corporation in that Ministry will be willing to take over this responsibility. I have sounded the Industrial Finance Corporation also because they also give loans for the rehabilitation of jute mills and cotton textile mills, but they were rather reluctant to take over. Now, I have taken up with the Ministry of Foreign Trade. I have written to the Secretary some time ago and asked him. Since there is a separate Textile Corporation, it seemed to us proper that the Textile Corporation should handle this business of recovery. But people are rather reluctant to take on the work of old recoveries. We are saddled with the responsibility because we advance the loans. Therefore, they say that

"recovery is your business." That is more or less the line Industrial Finance Corporation took. But it is a fact that the National Industrial Development Corporation is now concentrating on technical consultancy work, and although they have a section dealing with loan recoveries, they cannot devote 100 per cent of their time to the technical consultancy work because of these other activities, which were a part of their initial charter."

5.11. **The Committee are not at all satisfied with the way the Corporation have been pursuing loan recoveries. Instead of concentrating fully on realising the dues, attempts are being made to hand over the responsibility to other undertakings (like I.F.C. and Textile Corporation) who are reluctant to accept it. The Committee are anxious that the Government|Corporation should take legal steps to realise the outstanding dues.**

(d) **Income & Expenditure**

5.12. The income of the Corporation arises mainly from its loan operations and consultancy services rendered by it through its technological consultancy Bureau. The working results of the Corporation for the last three years ended 31st March, 1969 are shown in the table below:—

		(Rs. in lakhs)	
	1966-67	1967-68	1968-69
(i) *Income*			
Interest on loans to industries	61·05	61·56	55·92
Receipt of Technological Consultancy Bureau	29·35	27·70	43·90
Other income/credits	0·73	1·05	0·64
	91·13	90·31	100·46
(ii) *Expenditure*			
Interest on loans from Government	55·23	55·70	50·51
Expenses of Technological Consultancy Bureau	23·97	26·89	31·80
Other expenses/debts	5·82	7·01	6·97
	85·02	89·60	89·28
Profit before tax	6·11	0·71	11·18
Provision for tax	..	0·26	.

(e) Profits

5.13. The Corporation earned profits (before tax) of Rs. 6.11 lakhs in 1967; Rs. 71 thousand in 1968 and Rs. 11.18 lakhs in 1969.

5.14. During 1967-68, apart from the general decline in the tempo of industrial development which also affected Consultancy Engineering Organisations, the specific cause which directly affected the operating results of the Corporation was the delay in the clearance of the Korba Alumina Plant Detailed Engineering. The Committee were informed that, "the Corporation was given to understand that this work would have to be undertaken by it and as such the Corporation reviewed its staff requirements and geared itself up for this major assignment. But unfortunately clearance of the project took some what longer than anticipated, and the work could not start till January, 1968 although it was previously programmed to commence around July-August, 1967." This caused a drop of Rs. 3.60 lakhs in the anticipated earnings in 1967-68 and in fact this drop has been made up as reflected in the substantial increase in the earnings for the year 1968-69.

5.15. The decline in profit for the year 1967-68 was due to the following expenditure:

a. Recruitment of additional staff to bring them in readiness for the Aluminium Project	Rs. 1·05 lakhs
b. Provision for Death-*Cum*-Gratuity Scheme	Rs. 0·89 lakhs

5.16. The Annual Reports of the Corporation show a profit of Rs. 6.11 lakhs in 1966-67; Rs. 0.71 lakhs in 1967-68 and Rs. 11.18 lakhs in 1968-69. As on 31st March, 1969, a sum of Rs. 51.56 lakhs was outstanding against 11 mills on account of repayment of principal and another sum of Rs. 30.34 lakhs on account of payment of interest. Out of the 11 mills, three mills have closed down.

The procedure of recovery from the remaining loanees being far from satisfactory large bad debts may become inevitable. Moreover, a sum of Rs. 12.71 lakhs is outstanding against various parties for the services rendered by the TCB from time to time. The Committee, therefore, are of the opinion that the figures of profits earned by the Corporation are being overshadowed by the heavy debts of the Corporation, the overall picture of the financial soundness of the Corporation is illusory. If the bad and doubtful debts are taken into account the Corporation's claim to be a profit making undertaking is doubtful. The Committee recommend that the Government should take immediate legal action to recover the outstanding dues.

VI

ORGANISATION

(a) Board of Directors and the Executive Committee

The Corporation is managed by a Board of Directors (official and non-official) which is appointed by the President. Article 66(1) of the Articles of Association of the Corporation provides that unless otherwise determined by the President, the number of Directors shall not be less than 15 not more than 25. It will thus be observed that the limits regarding the number of Directors prescribed in the Article can be varied by an order of the President. The President in exercise of the powers conferred by the said Article was pleased to determine that the number of Directors of the Corporation shall not be less than 8 with effect from 10th March, 1966. The present position, therefore, is that the number of Directors of the Corporation should not be less than 8 nor more than 25.

6.2. The number of Directors appointed on the Board of the Corporation during the last 5 years were as follows:—

Year	No. of Directors appointed
1965	12
1966	9
1967	10
1968	8
1969	12

6.3. The composition of the Board of Directors as reconstituted in September, 1969 is as follows:—

1. Shri K. B. Rao	Chairman, (Adviser, Industry and Minerals, Planning Commission.)
2. Shri K. Balachandran	Addl. Secretary, Ministry of Industrial Development, Internal Trade and Company Affairs.

3. Shri N. J. Kamath . . .	Joint Secretary, Ministry of Industrial Development, Internal Trade and Company Affairs.
4. Shri P. D. Kasbekar . . .	Joint Secretary, Ministry of Finance.
5. Shri Devindar Nath . . .	Joint Secretary, Ministry of Foreign Trade.
6. Dr. B. D. Kalelkar . .	Director-General, Technical Development.
7. Shri B. D. Tilak . . .	Director, National Chemical Laboratory, Poona.

6.4. The Ministry of Commerce and Industry in their summary for Cabinet had *inter alia* laid down as follows:—

"The Directors of the Corporation should, therefore, be all nominees of Government. In order to harness the best available knowledge and experience, many of the Government nominees must be leading industrialists with a few scientists, economists or public men qualified to make a positive contribution. However, admirable in their individual capacity, such nominees would have no stake in the Corporation as in private enterprise. To guard against divorce of power from responsibility, there should be a fair number of high ranking Government officials whose careers will be their stake. Apart from this, policy decisions of a major character—and these should be fairly clearly defined—must remain in the hands of Government."

6.5. The Committee observe that the composition of the Board of Directors has been undergoing frequent changes years after year and of the 8 members all are Central Government servants. The Committee feel that frequent changes in the composition of the Board is not conductive to the efficient management of undertakings.

6.6. The Committee deprecate that the directive of the Ministry of Commerce and Industry that the Board should be constituted by leading industrialists with a few scientists, economists or public men qualified to make a positive contribution were flouted. Had this directive been borne in mind, the Board should have made positive contributions in the efficient running of the Corporation. Instead there were members on the Board who did not evince

much interest in the affairs of the Corporation by frequently absenting themselves from the Board meetings regularly with the result that all powers of the Board passed on the Managing Director. The Committee feel that if the Board was constituted as directed by the Cabinet, the Corporation should not have come to grief.

Constitution of Executive Committee

6.7. The Board have constituted a Committee of Directors (Executive Committee) to enable it to meet more frequently than the Board and to deal with immediate problems as and when they arise.

6.8. The day to day affairs of the Corporation are looked after by the Managing Director, the Chief Executive of the Corporation.

6.9. As provided in Article 66(3) all the Directors except the Managing Director retire from office at every Annual General Meeting.

(b) **Meetings of the Board and the Executive Committee**

6.10. The Board has been meeting once in a quarter and a meeting of the Executive Committee has usually been held between two meetings of the Board.

6.11. The following table shows the number of Board and the Executive Committee meetings held during the last 5 years:—

Year ending 31st March	No. of Board Meetings	No. of Executive Committee Meetings
1965	4	4
1966	4	5
1967	4	5
1968	4	4
1969	4	4

It will be seen from the above table that the Board and the Executive Committee held very few meetings during a year. Moreover, it is seen that the number of meetings of the Executive Committee is almost the same as that of the Board.

6.12. The Committee note that the number of meetings of the Executive Committee is almost the same as those of the Board. The primary object for the setting up of the Executive Committee was to meet more frequently than the Board to deal with immediate|urgent problems as they arise. Unfortunately the real purpose was defeated. The Committee feel that planned meetings of the Executive Committee at frequent intervals could have functioned as an effective standing Committee.

6.13. It is also seen that during the last 3 years, most of the meetings of the Executive Committee were attended by only 3 Members out of 5 Members of the Executive Committee. Similarly in 1965 and 1966, most of the meetings of the Board of Directors were attended by only 8 or 6 Members out of 12 and 9 Members of the Board respectively during these years.

(c) **Chairman|Managing Director**

6.14. The Corporation has a Chairman who is part-time. He presides over the meetings of the Executive Committee and the Board of Directors. The Corporation has also a Managing Director who is the Chief Executive Officer of the Company and is a whole-time employee.

(d) **Delegation of Powers to the Managing Director**

6.15. The Managing Director has been delegated the following powers by virtue of a Resolution passed by the Board of Directors at their meeting held on the 28th October, 1968:—

1. Subject to the provisions of the Companies Act, 1956, the Memorandum and Articles of Association of the Corporation, instructions and directives issued by the President of India from time to time, and subject to the provisions of the Codes, Rules Regulations and Policies prescribed by the Board of Directors from time to time and subject to budget provisions, and in supersession of the resolution passed *vide* item VII of the minutes of the meeting of the Board of Directors held on 15 September, 1956—the Managing Director be and is hereby authorised to exercise full powers in all matters other than those listed below for which sanction of the Board shall be obtained:—

(a) the annual budget of the Corporation and any revision thereof except reappropriation from one head of expenditure to the other head of expenditure within the overall sanction of the budget;

(b) any excess over approved estimates exceeding 10 per cent for any particular component part where sanction has been given by the Board by components;

(c) classification, designation and scales of pay of the posts under the Corporation;

(d) rules governing the terms and conditions of service of the employees;

(e) creation of and appointment to all posts carrying an ultimate salary exceeding Rs. 1,400 p.m.;

(f) grant of more than two advance increments to employees either on initial appointment or subsequently;

(g) appointment of foreign specialists;

(h) policy matters relating to *ex-gratia*, bonus and special pay and allowances;

(i) award of contracts of the value of rupees one lakh and above;

(j) acceptance of disputed claims over the value of Rs. 10,000;

(k) write off of any item above the value of rupees five thousand in each case;

(l) write off of the shortage of cash;

(m) grant of compensation to persons other than the Corporation's employees arising from any cause;

(n) sale on alienation in any form of any immovable property owned by the Corporation;

(o) grant of donations or *ex-gratia* payments not arising from prescribed rules relating to amenities welfare over Rs. 5,000 in each case and Rs. 25,000 in a year;

(p) settlement of claims against the Corporation from any cause not provided for in any other item enumerated herein exceeding Rs. 5,000 in each case subject to a maximum of Rs. 20,000 in a year;

(q) any expenditure on an object which has not been previously recognised as fit object for expenditure by the Corporation;

(r) any arrangement regarding cash credit|overdraft with Bank;

(s) all policy matters connected with the rates and pricing;

2. The Managing Director shall have full powers to institute, defend, compound or abandon legal proceedings or refer claims to arbitration and execute powers of attorney and sign vakalatnamas, mukhtarnamas, plaints, written statements and all other documents and papers in connection with cases in law courts etc. for and on behalf of the Corporation;

3. The Managing Director may sub-delegate powers conferred upon him to any of the officers working under him as he may deem fit; the powers so delegated under this clause shall be reported to the Board at their subsequent meeting;

4. Insofar as matters relating to the grant of loans by the Corporation to the various industries are concerned, these shall be dealt with in accordance with the directions as have been issued or may be issued by the Board from time to time.

6.16. Technically, the Board of Directors is competent to delegate the residuary powers to the Managing Director. It is, however, desirable that the Board should delegate only specific powers to the Managing Director and keep the residuary powers with itself. During the course of evidence when pointed out by the Committee that the Board of Directors had delegated too many powers to the Managing Director, the Joint Secretary, Ministry of Industrial Development, who was also a Member of the Board stated as follows:—

"Originally, a resolution dated September, 1956, had given certain powers to the Managing Director. This Resolution was superseded recently in October, 1968. The old powers under the 1956 Resolution were too restrictive. For example, there were only 10 items which were delegated to the Managing Director. Now, during the course of the years, the Managing Director came to find that these powers were too restrictive and that he wanted more powers as he did not want to bother the Board every time. He came up with certain proposals. And in 1968 some very wide powers have been delegated to him.

I will give you the historical background of this. On that particular day when this matter was considered, I was present at the Board meeting. But I had to go away elsewhere and this item came towards the end, and it was taken up and passed in my absence. Later on, when I saw the draft resolution, I immediately wrote to the Secretary of the NIDC and told him that, in my opinion, they have taken a very wrong approach. The original approach was, which in my opinion was the right one—that the Board has resolved to give a specific set of powers to the Managing Director. The new approach was that the Board has delegated all powers to the Managing Director except a specified set of powers. When I saw it I immediately wrote back and said that that was the wrong approach. The Board has every authority to delegate any powers to the Managing Director but they have no right to abdicate their powers. The Board has accepted my point of view and very recently we have gone through the draft of a revised resolution which will be considered at an early date."

6.17. **The Committee are of the opinion that by vesting extraordinary powers including the residuary powers in the Managing Director, the Board of Directors and the Government have shown utter indifference in the management of the affairs of the Corporation. The Committee have formed the impression that the delegation of residuary powers to the Managing Director have resulted in violation of the provisions of the Companies Act. Thus the very idea of having a public control has been defeated. The Committee feel that if this tendency is permitted to continue, it would develop a dangerous concept in public sector undertakings and deprive the Parliament of its control. The Committee recommend that the Government should examine whether by delegating the residuary powers to the Managing Director, the Board of Directors have flouted any of the provisions of the Companies Act.**

(e) Financial Adviser

6.18. The Corporation has two operating divisions viz. "Loans Division" and the "Technological Consultancy Bureau" and in addition there are the "Accounts" and Administration Sections. The Corporation has not set up a Financial Division. The Accounts Section headed by an Accounts Officer looks after the work of the Financial Division.

Appointment of Financial Adviser

6.19. Article 71A of the Articles of Association of the National Industrial Development Corporation *inter-alia* provides that "the President may appoint Financial Adviser(s) and Chief Account(s) Officer of the Company for such term and for such remuneration as he may think fit . . .". In this connection the Committee note that NIDC was set up as far back as October, 1954. The circumstances as to why the need for organising a separate Financial Division and appointing a Financial Adviser and Chief Accounts Officer has not been felt by the undertaking so far are not known to the Committee.

6.20. In this connection, the Committee on Public Undertakings at the time of examination of Financial Management in Public Undertakings had discussed with the various representatives of Public Undertakings as to whether it was desirable to set up the Financial Division or appoint a Financial Adviser in the early stages when vital decisions relating to the Project, such as the size, location, collaboration arrangements, capital cost, etc. were taken. All the undertakings had agreed that it would be very desirable to have the Financial Division right from the beginning and that the Financial Adviser should be in a position along with the Chief Executive. During evidence, the then Secretary of Industrial Development and Company Affairs also agreed that he would not defend cases where Financial Division had been set up some years after the Project was launched.

6.21. **In the opinion of the Committee a separate and well organised Financial Division with a Financial Adviser at its head is a prerequisite for the efficient management of an undertaking. Apart from rendering expert financial guidance and advice the Financial Adviser is expected to study the economics of the undertaking with a view to advise the management on its efficient working. The Committee deplores that the NIDC did not feel the necessity of appointing a Financial Adviser and Chief Accounts Officer and the Government realising the necessity for it did not take steps to enforce it on NIDC.**

(f) Internal Audit

6.22. Although the Corporation is in existence for the last 15 years, no internal audit has so far been introduced in spite of the fact that in September, 1967 the Ministry of Finance, Bureau of Public Enterprises, stressed the necessity of introducing a comprehensive and effective system of internal audit in all public undertakings.

6.23. During the course of evidence the Managing Director, NIDC stated as follows:—

> "When the Bureau of Public Enterprises suggested the setting of the internal audit, the matter was put up before the Board of Directors and it was also referred back to the Bureau that, being a consultancy organisation our work is of much different nature to the type as you would find in a factory etc., whether it was necessary to have an internal audit. The Bureau's advice was that this was for the Board to decide. The Board took up the matter and it decided that having regard to the type of operation, for the present we need not have an internal audit. We have the system of pre-check by our Accounts Department itself, which checks it and, therefore, the Board felt that for the present we need not have a separate internal audit section."

6.24 The Committee wanted to know the competence of the Board to take this decision. The Secretary, Ministry of Industrial Development stated as follows:—

> "We have generally drawn the attention of all the Public Sector Corporations to have the desirability of internal audit cell but we have left the justification to each Corporation. We have not issued as a directive to all Corporations that they must have cells. In regard to the totallity of the working, a particular organisation feels that it can safeguard the money properly by another system—*i.e.* pre-check accounts system, we do not insist."

6.25. The Committee are doubtful whether the plea taken by the Corporation for not having a comprehensive and effective system of internal audit as suggested by the Bureau of Public Enterprises is justified in view of the losses of public funds as evidenced in cases of purchase of air-conditioners, hire of office accommodation and purchase of time recording clocks etc. The Committee feel that the Corporation should have introduced a comprehensive and effective system of internal audit like every other public sector undertakings.

(g) Staff

Loans Division

6.26. This Division mainly deals with the work connected with the grant of loans by the Corporation to cotton textile, jute and machine-tool industries. The division functions under the overall supervision of the Secretary and at present comprises one Senior Loans Officer, one Loans Officer and has an office establishment consisting of four Assistants, one Stenographer, one Steno-typist and two L.D.C. A wing of this Division is located at Bombay under the charge of an Assistant Technical Officer who is assisted by 1 Superintendent, 3 U.D.Cs., 1 Stenographer, 1 steno-typist, 3 L.D.Cs. and 4 class IV staff. This office deals with matters relating to loans sanctioned by the Corporation to cotton textile mills.

6.27. Since the loaning activities of the Corporation have ceased with effect from 1963, the Committee fail to understand the necessity of maintaining an establishment at Bombay. The work allotted to Bombay office could convenie ntly be transferred to Delhi Office. The Committee, therefore, recommend that the Bombay office of the NIDC should be wound up.

Technological Consultancy Bureau

6.28. The Bureau is headed by the Chief Consultant, who in the discharge of his administrative and technical functions, is assisted by the Deputy Chief Consultant. The Technical Organisation is divided into a number of Divisions. At present the Bureau has the following Divisions:

(i) Project Engineering;
(ii) Industrial Planning;
(iii) Industrial Economics and Statistics;
(iv) Architecture & Town Planning;
(v) Structural Engineering;
(vi) Mechanical Equipment;
(vii) Mechanical Utilities;
(viii) Electrical Equipment;
(ix) Electrical Utilities;
(x) Production Engineering;
(xi) Chemical Engineering;
(xii) Metallurgical Engineering;
(xiii) Mining;
(xiv) Documentation.

Details of the present staff strength of the Bureau are shown in Appendix II.

6.29. There are at present 320 persons in the employ of the Corporation. It is stated that the staff requirements are worked out and proposals formulated as and when necessary in relation to work load. There is no work-study department for laying down norms, work loads and job analysis.

Recruitment and conditions of service

6.30. The Corporation has not framed any Recruitment Rules. The terms and conditions of service of the employees of the Corporation are governed as far as possible by rules applicable to Central Government servants.

6.31. However, in regard to the following the Corporation has formulated its own rules:

(i) Provident Fund Rules.

(ii) Death-*cum*-Retirement Gratuity Scheme Rules.

(iii) Rules for reimbursement of medical expenses to members of the staff.

6.32. Recruitment to various posts in the Corporation is made either directly from the open market|the Employment Exchange or by promotion from the existing staff or by obtaining personnel on deputation from the Government departments. No preference is given to persons belonging to any particular area at the time of recruitment. However, reservations of vacancies is made for classes such as scheduled Castes|Scheduled Tribes etc. as per instructions issued by the Government in this behalf from time to time.

6.33. It has been observed that the Corporation has not prepared any career development scheme whereby persons working in the Corporation can look forward for promotion to higher posts.

6.34. It has been observed that the Corporation has not framed any Recruitment Rules. A number of recruitments to high salary posts have been made by the Corporation without proper advertisement. Recruitment to subordinate posts were also made without going through the accepted procedure of advertisement or through the Employment Exchange. The Committee are of the opinion that since the Corporation is adopting Central Government rules it has violated the Compulsory Notification of Vacancies Act.

(h) Training

6.35. Newly recruited employees are trained on their respective jobs and no special scheme of training for this purpose has been introduced by the Corporation. Also no employee|officer has so far been sent for induction training to other institutions|understandings in India. However, the Corporation deputed three officers for training under Foreign Aid Programmes. No officer has left the Corporation after training. The services of two officers were transferred by the Corporation to other Public Sector Undertakings.

6.36. The Committee note that the Corporation are not arranging any refresher courses for different categories of employees especially for the serving engineers and management personnel to keep them in touch with modern technical advancements. The Corporation should have considered deputing selected technical personnel for courses in other Institutions in India.

MISCELLANEOUS

(a) Time Recording Clocks

In their Audit Report (Part I-B) on the account of NIDC for the period April, 1968 to September, 1968, the audit has pointed out that on the verbal instructions of the Deputy Chief Consultant, TCB Unit of the Corporation purchased two time Recording Clocks in November, 1966 for Rs. 3,000|- each. Four wooden Card racks were also purchased for these clocks at a cost of Rs. 836|-. In May, 1967, a repeat order for the supply of one more time recording clock at the same rate was placed and received in June, 1967. Two wooden card racks were also purchased for this clock at a cost of Rs. 418|-. Certain other items costingg Rs. 48|- were also purchased in January, 1968. Thus, the Corporation incurred a total expenditure of Rs. 11,340|- on the purchase of these time recording clocks. The clocks were received as early as November, 1966 and June, 1967 but these were put to use only in August, 1968. Their use had to be discontinued due to certain defects in one of the clocks and these have not been put to use, so far thereafter. During the course of evidence, the Committee pointed out that although the staff of NIDC was 300 including Engineers and Technicians etc. the necessity and utility of buying these clocks needed elucidation. The Managing Director, NIDC stated as follows:—

> "Before we shifted to the premises where we are now, which is multi-stroyed building, the Technical Consultancy Bureau was housed in the Jeevan Vihar building at Parliament Street and we were spilt on it at different floor. We introduced the time-recording clocks for marking attendance. These clocks were obtained, to mark attendance of our staff rather than getting involved in disputes on account of signing of attendance registers."

The Managing Director further stated these clocks were shifted to the new premises but during the process of shifting the clocks got damaged and were being repaired now.

7.2. Asked by the Committee whether the Deputy Chief Consultant was competent to buy these clocks, the Managing Director, NIDC stated as follows:—

"It is true that these were ordered by the Deputy Chief Consultant who had the powers to purchase. But, at the time these purchases were made the Deputy Chief Consultant, on the orders of the Board, was enjoying the powers of Chief Consultant. As a head of the department he is empowered to make such purchases. It is not a question that he had no powers. At that particular time there was no Chief Consultant. The post was vacant and the Board had ordered that the Deputy Chief Consultant would exercise the powers of the Chief Consultant during that limited period of time."

7.3. The Committee desired to know whether in the event of the post of the Chief Consultant lying vacant, any powers were delegated to the Deputy Chief Consultant.

7.4. The NIDC have stated that the Board of Directors at their meetings held on the 17th October, 1960 and 7th March, 1962, delegated the following powers to the Chief Consultant of the TCB:—

1. All powers generally vested in the Heads of Departments of the Central Government.
2. To be the Controlling Officer in respect of T.A. and D.A. of journeys on tour performed by himself and his staff.
3. To sanction expenditure for the purchases of:—
   (i) Instruments, minor equipment and apparatus—upto Rs. 5,000 per annum.
   (ii) Stationery and Printing upto Rs. 10,000 per annum.

7.5. The term of appointment of the then Chief Consultant expired on 31st March, 1965 and no arrangements for the appointment or a substitute in that post was made. In order to ensure expeditious disposal of work in the Bureau, it was proposed that until the appointment of Chief Consultant, the above mentioned powers so far vested in him might with effect from 1st April, 1965 be exercised by the Dy. Chief Consultant in addition to the powers already delegated to him. The proposal was duly agreed to by the Board of Directors

7.6. From the powers delegated to the Dy. Chief Consultant it is observed that he was competent to sanction expenditure for the purchase of instruments, minor equipments and apparatus upto Rs. 5,000|- per annum. The NIDC purchased two time clocks in November, 1966 for Rs. 6,000|- under the verbal instructions of the Dy. Chief Consultant. Thus it would be seen that the Dy. Chief Consultant had gone

beyond the scope of powers delegated to him.—The Committee take a serious view of the misuse of powers by the Dy. Chief Consultant and lack of supervision on the part of the Managing Director to allow such things to happen.

7.7. Unlike a factory employing a large number of workers, the NIDC is a promotional-cum-technical organisation advancing loans to certain industries and rendering technical advice to entrepreneur-es|or industries. Consequently the Committee feel that the installation of time recording clocks in the Corporation can hardly be justified. The Committee is of the opinion that the expenditure of Rs. 11,340|- incurred on purchase of these time recording clocks was not necessary and has proved to be infructuous.

(b) **Hiring of accommodation**

7.8. The Auditors in their Audit Report (Part-I) on the account of NIDC for the period April, 1968 to September, 1968 have stated that the Corporation was occupying a total area of 20690 sq. feet in Udyog Bhawan and Jeevan Vihar Building at a total annual expenditure of Rs. 4,35,140 (including Rs. 71,000 as expenditure on air-conditioning). However, this space was considered inadequate and it was assessed that an area of about 27,500 sq. feet would be necessary for locating the TCB and the Head Office at one place and for the efficient working of the Corporation. Accordingly approval of the Executive Committee of Directors was obtained in December, 1968 for hiring the required accommodation in the multi-storeyed building constructed by the New Delhi Municipal Committee in Chanakyapuri.

7.9. After negotiations with the NDMC, an eleven storeyed building (including basement) comprising carpet area of 36,472 sq. feet. was hired with effect from 19th December, 1968 for a period of 5 years at a rent of Rs. 4.5 lakhs per annum without air-conditioning of the building. A formal agreement for hiring building was entered into with NDMC in December, 1968. As per the licence deed executed by the Corporation, a security deposit of Rs. 1,12,500 representing 3 months rent has been made by the Corporation which will carry simple interest @ 4½ per cent and will be adjusted in the rent of the last month of the year.

7.10. As this money will remain blocked for 5 years, there will be a loss of about Rs. 14,062 by way of interest @ 2½ per cent representing the difference between the rate of interest allowed by the NDMC and that could have been earnd by the Corporation had this amount been deposited in fixed deposit @ 7 per cent with the Bank.

As the Corporation is a Government of India undertaking, the Committee feel that there was no necessity for such guarantee and, if at all, it was necessary it should have been given in the form of a Bank Guarantee or an insurance bond.

7.11. During the course of evidence, the Committee pointed out that NIDC had hired an excess of 8972 sq. ft. as compared with the area stipulated to be required and wanted to know whether the Corporation was thinking of sub-letting some portion of the accommodation and whether there was such a clause in their agreement with the NDMC. The Managing Director, NIDC stated as follows:—

> "So far as the accommodation has been surplus is concerned, there is certain area lying vacant because as I explained to you during your visit, I am trying to economise on the area to be provided. If I work according to the schedules laid down by Government, I am really short of accommodation in that building. According to the schedules laid down by Government, I should really have a total of 38,000 sq. ft. whereas actually the useable area in that building, leaving the basement which is not permitted to be used for staff is 34,750 sq. ft. And out of that I have tried to economise on it by squeesing the boys further, and we are using 32,000 sq. ft. And actually a little over 2,000 sq. ft. is kept on the First Floor which we want to give to outsiders."

7.12. The Committee pointed out that since the activities of the NIDC were confined to consultancy service, there was no point hiring such a costly building. The Secretary, Ministry of Industrial Development stated as follows:—

> "We are looking to the question of funds being made available to the Corporation for construction of building because we feel that the present rent is too high, and if they have their own building, that might be more satisfactory and economic in the long run."

7.13. The Committee are concerned to find that the Corporation is paying Rs. 4.5 lakhs per annum as rent for the premises they are occupying. They are not convinced with the arguments advanced by the Corporation in favour of hiring such a costly accommodation. The Corporation's business regarding granting of loans has practically ceased and is mainly engaged in rendering consultancy service. The Committee, therefore, feel that hiring of such a costly accommodation was not justified.

(C) Air-conditioners

714. The Corporation purchased 11 Air-conditioners in 1967 each of 1·5 tons cooling capacity from M|s. Blue Star Engineering Company (Bombay) Pt. Ltd. Quotations from the following 12 firms were invited for supply, delivery and erection of air-conditioners for air-conditioning the accommodation occupied by the office of the Technological Consultancy Bureau with window type air-conditioners:—

1. M/s. Feddors Lloyds Sales Corp., New Delhi.
2. M/s. Himalya Mfg. & Sales Company, Delhi.
3. M/s. American Refrigeration Co. Ltd., New Delhi.
4. M/s. Voltas Ltd., New Delhi.
5. M/s. Blue Star Engg. Co. (Bombay) Pvt. Ltd., New Delhi.
6. M/s. Air-Conditioning Corporation Ltd., New Delhi.
7. M/s. Fricks India Pvt. Ltd., New Delhi.
8. M/s. Premier Refrigeration Co. New Delhi.
9. M/s. Leonard Air-Conditioning & Refrigeration Engineers, New Delhi.
10. M/s. Refrigeration Products, New Delhi.
11. M/s. Refrigerators (India) Pvt. Ltd., New Delhi.
12. M/s. R. C. Durant & Co., New Delhi.

7.15. Out of these quotations were received from the firms mentioned at serial Nos. 1, 2, 3, 5, 6, 8 and 12. The firms mentioned at Serial No. 7 intimated inability to submit their proposals for widow-type air-conditioner. A proposal was also received from M/s. W. A. Beardsell & Co. though no letter of enquiry was addressed to that firm.

7.16. Comparative statement of offers for supply of 1.5 ton capacity air-conditioners is given below:—

Name of the firm	Original price Rs.	Revised price Rs.
1. M/s. Himalaya Sales Co. . . .	4514·25	5029·33 I 4926·73 II
2. M/s. Feddors Lloyds Sales Corp. . .	4535·70	4793·29
3. M/s. Air-conditioning Corp. . . .	4232·83	4174·90

Name of the firm	Original price Rs.	Revised price Rs.
4. M/s. Beardsell & Co.	4480 00	4405 00
M/s. American Refrigeration Corp. . .	4424 60	4198·40 } 4200 90 }
6. M/s. Blue Star Engg. Co. (Bombay) Pvt. Ltd.	4624·25	4219·00
7. M/s. R. C. Durant & Company . . .	4880·00	4995 40
8. M/s. Premier Sales Corporation . . .	4869·00	No revision

7.17. The offers were considered by the Tender Committee consisting of three officers of the Corporation. The Committee observed that their final recommendation could not be based solely on the price factor in the absence of any knowledge regarding the quality of the equipment offered in regard to the machinery and service. The Tender Committee recommended that the purchase may be made from the firms whose rates were lowest and who were on rate contract with DGS&D.

7.18. In the meantime, M/s. Blue Star Engg. Co. intimated reduction in the price quoted by them earlier. Other firms were, therefore, also asked to intimate whether they could reduce the prices of the machines offered by them. The prices as revised by some of the firms are also indicated in the comparative statement referred to above.

7.19. The technical suitability of the units offered by each of the firms was examined by the Chief Electrical Engineer of the Corporation. He expressed the opinion that the air-conditioners which had previously been supplied to the Corporation by M/s. Airconditioning Corporation Ltd. and M/s. American Refrigeration Co. Ltd. were not giving satisfactory service. The cooling effect of these air-conditioners was also not satisfactory. Moreover, the noise level of these machines had been quite high and the breakdowns were also quite frequent. In addition, the service after sales was also not satisfactory. Taking these factors into consideration, the purchase of air-conditioners from these two firms was not recommended by him. Out of the remaining offers, the air-conditioners proposed to be supplied by the following firms were considered by him to be technically suitable.

1. M/s. Himalaya Mfg. Co. Ltd., Delhi.
2. M/s. Blue Star Engg. Co., New Delhi.

3. M/s. R. C. Durant & Co., New Delhi.
4. M/s. Feddors Lloyds Sales Corp. Ltd. New Delhi.

In addition, the air-conditioners available on rate-contract at a price of Rs. 4,582.50 from M/s. Spencer & Co. Ltd. were also considered technically suitable.

7.20. The quotations were again examined by the Tender Committee, who recommended that the quotations of M/s. Blue Star Engg. Co. at Rs. 4219/- for a unit of 1.5 ton cooling capacity may be accepted. One of the members of this Committee did not agree with the views of the Committee and expressed the opinion that the purchase should be made through the DGS&D. He also recorded a note of dissent as follows:—

> "I regret my inability to accept the findings of my other colleagues. We had purchased air-conditioners last year through DGS&D on rate contract as indicated in our note of 10.5.67.
>
> It has been ascertained from the DGS&D that M/s. Blue Star are not on the rate contract because their machinery was not of the requisite standard and as such it does not seem desirable that we should purchase air-conditioners from M/s. Blue Star. As a matter of fact, last year we had purchased air-conditioners from M/s., A.C.C. who were on rate contract but obviously as their quality has deteriorated as affirmed by the CEE in his note of 19.5.67, the DGS&D have not accepted this firm on rate contract this year. In fact as per para 11 of Manual on Office Procedure on Supplies, Inspection and Disposal issued by DGS&D, it is incumbent on all Central Government Departments to purchase their requirements of stores above the specified limit of Rs. 5,000 through the DGS&D. Since we are following the Government rules and these purchases are above the specified limit there seems no justification to deviate from this rule."

7.21. It was decided at this stage that a physical inspection of the air-conditioners on rate contract and also other makes should be carried out. Accordingly, the Chief Electrical Engineer of the Corporation carried out a physical inspection of air-conditioners. He reported that since all the air-conditioners were fitted with Sriram Compressor Motor Assembly Units, the question of differentiating between the machines did not arise. He was, however, of the opinion that in the air-conditioners offered by M/s. Blue Star Engineering Co., the running capacitator and over-load rely were fitted to the compressor thereby requiring lower starting current giving suitable protection to the voltage fluctuations. He was, further of the opinion that the cooling capacity of the air-conditioners on rate contract and those offered by M/s. Blue Star Engineering Co. was the same but the noise level of the air-conditioners offered by the latter was comparatively lower than the machines on rate contract. The Corporation, therefore, purchased 11 air-conditioners each of 1.5 tons capacity from M/s. Blue Star Engineering Company (Bombay) Pvt. Ltd., New Delhi.

7.22. During the course of evidence, the Committee enquired whether NIDC was a Post Deposit party with the DGS&D and wanted to know the reasons as to why the air-conditioners were not purchased through DGS&D. The Managing Director, NIDC stated as follows:—

> "The position is that we invited tenders for the supply of air-conditioners. Out of all tenders which were found to be technically suitable we accepted the one which was the cheapest even though it was not on the rate-contract list of the DGS&D but its offer was lower than those on the rate-contract list. So, we took the cheapest suitable offer that was available."

7.23. Asked by the Committee as to why the Corporation did not try DGS&D for air-conditioners, the Managing Director, NIDC stated as follows:—

> "We do not have to go to the DGS&D because we are a post Deposit party."

7.24. M|s. Air-conditioning Corporation offered airconditioners at Rs. 4174.90 and M|s. American Refrigeration Corporation offered at Rs. 4200:90. The Committee are unable to understand why the NIDC did not consider the offer of these two companies in preference to M|s. Blue Star Engineering Co. specially when it was reported by the Chief Electrical Engineer that all the air-conditioners were fitted with the same machine. Instead of following the straight forward line of action the NIDC authorities preferred the procedure of negotiating with the party who had quoted higher price for the air-conditioners.

(d) **Installation of Telephones at the residences of Officers**

7.25. In their Audit Report (Part I-B) on the accounts of NIDC for the period 4|68 to 9|68, the Auditors pointed out that 8 officers of the Corporation were provided with telephone connections at their residences at the Company's cost. According to the provisions of Sl. No. 17 of App. B-I-A to para 6(d) of the Financial and Accounting Manual of the Corporation, the installation of telephones at residences requires the sanction of the Executive Committee of Directors. The Corporation was requested to show the sanction of the Executive Committee in respect of these cases together with the justification for the installation of telephones and for their continuance at their residences. But no such sanction could be shown to Audit. During the course of evidence the Committee wanted to know the views of the NIDC in this regard. The Managing Director, NIDC stated as follows:—

> "It is correct that the Auditors raised this point. The telephones were put up under the authority of the Managing Director. It is correct that these powers are vested in the executive Committee and in the Board. The powers are vested with the Board and the residential telephones have to be sanctioned by the Board of Directors. So to that extent the audit report is quite correct. That is being rectified."

7.26. Asked by the Committee about the cost incurred by NIDC on the installation of these telephones the Managing Director, NIDC stated that these telephones have been put on the OYT Scheme, which is Rs. 2,000 per phone plus cost of installation. The Committee wanted to know the necessity of installation of telephones at the residences of these 8 officers, the Managing Director, NIDC, stated that these telephones have been installed at the residences of the senior officers, apart from the Managing Director and the Secretary, who have to be available on the telephone to the clients also. These officers had to keep telephone contacts with clients not only in India but from abroad.

7.27. The NIDC installed telephones at the residences of 8 officers under the OYT scheme @ Rs. 2,000 per telephone plus cost of installation, on the authority of the Managing Director. Under the Financial and Accounting Manual of the Corporation, the installation of telephones required the sanction of the Executive Committee and the Board of Directors. The Committee feel that by defying the instructions contained in the Financial and Accounting Manual of the Corporation the Managing Director has acted without showing a sense of responsibility. The Committee suggest that the Government should take a serious view of such lapses on the part of

the Managing Director. The Committee recommend that the Government should probe into the affair of the installation of the telephone without the approval of the Board of Directors and if necessary effect the recovery of the cost involved in this unauthorised expenditure.

VIII

CONCLUSION

In their 122nd Report (1960-61), the Estimates Committee while recommending the transfer of loaning activities of the Corporation to the Industrial Finance Corporation or any other such agency, had recommended as follows:—

> "The Committee are of opinion that if divested of its functions as a financing agency which seems to be its main work now as recommended by them, very little of the other function of development of industries remains which cannot be equally well discharged by the agencies already in existence. It is, therefore, a matter of consideration for the Government whether they should continue to keep the NIDC going as an institution with such a limited sphere of work."

8.2. The Government in their reply had stated as follows:—

> "Efforts are proposed to be made to see whether NIDC could not also be utilised more effectively in the discharge of its functions other than as financing agency."

8.3. In view of Government's reply, the Estimates Committee in their 20th Action Taken Report (1962-63) had no objection to defer the consideration of its recommendation till after the above proposals were implemented and results known.

8.4. Foregoing pages would reveal that the performance of the National Industrial Development Corporation Ltd., was far from satisfactory. It is alarming to note that the original idea for which this Corporation was set up viz. to start new industries to fill up the gaps was never achieved as admitted by the Managing Director of the Corporation.

8.5. Since the loaning activity of the Corporation was rightly taken away as a result of the recommendation made by the Estimates Committee in their 122nd Report (1960-61), the Corporation had arrogated to itself the job of running a consultancy service and recovery of loan for the sake of its survival. After 16 years of existence it has degenerated into a mere Consultancy Bureau.

8.6. The Committee feel that adequate number of consultancy agencies have been brought into existence both in the public and private sector representing different fields of technological activities. Even as consultants, NIDC's role was hardly appreciable to justify an independent existence. Facts contained in the body of this Report confirms this conclusion.

8.7. In view of the fact that the Corporation is not specialising in any rare field of technological activity and its functions having been confined to a very limited field, the Committee reiterate the recommendation of the Estimates Committee contained in their 122nd Report (1960-61) and recommend that the Government should consider the desirability of allowing this Corporation to exist with such a limited sphere of work.

NEW DELHI;
April 9, 1970.
Chaitra 19, 1892 (*Saka*).

M. B. RANA,
Chairman,
Committee on Public Undertakings.

APPENDIX I

CURRENT WORK LOAD ON THE TECHNOLOGICAL CONSULTANCY BUREAU

Assignments in Hand

Sl. No.			
1.	Government of U.P. . .	U. P. Hill Region Survey	Industrial Potentialities study.
2.	Government of Bihar	Acetate Rayon	
3.	Ministry of Home Affairs	Mineral based Industrial Complex of NEFA	Industrial Potentialities Study.
4.	Nahan Foundry Ltd. . .	Modernisation of Existing Facilities.	Techno-Economic Reprot
5.	Bharat Aluminium Company	Koyana Aluminium Plant	Detailed Project Report
6.	Bharat Aluminium Company .	Korba Smelter Plant	Detailed Project Report
7.	Bharat Aluminium Company .	Korba Alumina Project	Detailed Engineering
8.	Garden Reach Workshop .	Marine Diesel Engine	Detailed Engineering
9.	Hindustan Organic Chemicals Ltd.	Intermediate Plant	Detailed Engineering
10.	Narcotics Commissioner, Gwalior.	Alkaloid Project	Detailed Engineering
11.	Machine Tool Corporation of India.	G.M.T.P., Ajmer Township	Detailed Engineering
12.	Ministry of I.D.I.T.& Company Affairs.	Pumps & Compressors Plant.	Detailed Engineering
13.	Nahan Foundry . . .	Modernisation of Existing Facilities.	Detailed Engineering
14.	Hindustan Organic Chemicals Ltd.	Intermediate Plant	Site Assistance
15.	Industrial Development & Renovation Organisation of Iran (TECHNOLOG INC)		Technical Collaboration for building up Consultancy Bureau.
16.	Industrial Development & Renovation Organisation of Iran (TECHNOLOGINC.)	(i) Arak Product Designs Fabrication Drawings Materials. (ii) Fabrication Drawing & Materials, Lists of Columns of Foundry Buildings. (Portion assisgned to TECHNOLOG).	

S. No,			
		(iii) As above for Crane girders of Foundry Buildings.	
		(iv) As above for columns of forge & heat.	
		(v) As above crane girders of forge and heat.	
		(vi) Consolidated material order lists (for above initating procurement action).	
17.	Industrial Development & Renovation Organisation of Iran (TECHNOLOG INC.).	Arak Zigs & tools designs for jigs & tools for product designs.	
18.	Africindo Industrial Development Corpn. Kenya.	Mill/Straw Board	Project Report.
19.	Industrial Development & Renovation Organisation, Iran.	Zinc Smelter in Iran.	Evaluation of Project Report.
20.	Industrial Development & Renovation Organisation, Iran.	Wood Based Complex in Iran	Evaluation of Project Report.
21.	Industrial Development & Renovation Organisation, Iran, (TECHNOLOG INC.)	Dimensional Gauges & Springs	Process Timing & Operational Data.

APPENDIX II

TECHNOLOGICAL CONSULTANCY BUREAU

Staff position as on 1-6-68

Category of the posts

S. No.	On Roll
1. Chief Consultant	1
2. Deputy Chief Consultant	1
3. Chief Planning Engineer (1300-1600/1600-2000) . .	1
4. Chief Design Engineer (Mech. Equipment) (1300-1600/1600-2000)	1
5. Chief Design Engineer (Elect. Equipment) (1500-1600/1600-2000)	1
6. Chief Design Engineer (Elect. utility System) (1300-1600/1600-2000)	1
7. Chief Design Engineer (Structural) (1300-1600/1600-2000)	1
8. Chief Architect and Town Planner (1300-1600/1600-2000)	1
9. Chief Design Engineer (Mining) (1600-1800) . .	1
10. Chief Design Engineer Chemical (Eng.) (1300-1600/1600-2000)	1
11. Chief Design Engineer (Production) (1300-1600/1600-2000)	1
12. Chief Project Officer (1600-2000)	1
13. Design Engineers (700-1250)	31
14. Architect (700-1250) . . .	1
15. Statistician (700-1250)	1
16. Asstt. Design Engineers (400-950)	13
17. Asstt. Architects (400-950)	3
18. Head Estimator (450-575)	1

S.No.		On Roll
19.	Documentation Officer (400-950)	1
20.	Jr. Design Engineers (ii) (370-475)	48
21.	Jr. Design Engineers (iii) (335-475)	22
22.	Architectural Assistant (370-475)	3
23.	Jr. Architectural Assistant (325-475)	1
24.	Draftsmen (205-280)	45
25.	Junior Estimators (205-280)	4
26.	Tracers (110-200)	7
27.	Record Keeper (110-180)	1

APPENDIX III

Summary of conclusions|recommendations of the Committee on Public Undertakings contained in the Report

S. No.	Reference to Para No. in the Report	Summary of Conclusions/ Recommendations
1	2	3
1.	1.10	After a perusal of all the correspondence, the Committee are of the view that the NIDC was conceived on the basis of a note dated 9-8-1953 to the Cabinet by the Minister of Commerce and Industry and the Government adopted the idea without due consideration by the different Ministries which is the usual practice before such a note is considered by the Cabinet. The Committee are of the opinion that NIDC was delivered as a still-born child as a result of inter-Ministerial rivalry and dispute over its functions as is evidence in the set of correspondence made available to the Committee.
2.	1.17	From the information supplied by the Corporation it would appear that apart from Indian Drugs and Pharmaceuticals Ltd., the Corporation did not make any appreciable contribution either in the setting up or in the execution of these Projects. The Committee are of the opinion that they have been misled by the statement of the Managing Director during the course of evidence held on 28-7-1969. The Committee are convinced that the NIDC did not play any appreciable role either in the conception or the execution of the five projects in the Public Sector and two projects in the Private Sector except to some extent in the case of the Indian Drugs and Pharmaceuticals Ltd.
3.	1.19	The Committee note that during the last 16 years of its life, the NIDC had taken up only 9

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1	2	3
		cases of Detailed Engineering. The Committee feel that the NIDC has not achieved the aims and objectives for which it was set up and has degenerated into a consultancy service.
4.	2.14	The Committee are of the opinion that in the absence of any instructions from the Government to the Corporation regard to equitable distribution of loans, no special concession or incentives were offered to encourage assistance to industries in the backward states.
5.	2.16	On a perusal of the list of loanees, the Committee are of the opinion that loans were granted to parties who could have, perhaps, raised the necessary resources of their own without the special aid of NIDC and the funds given to them could have been preferably made available to other parties whose position to raise such loans by other means was not equally strong.
6.	2.24	The Committee are surprised that the rate of interest charged by NIDC was kept much lower than the rate charged by the Industrial Finance Corporation. The Committee deprecate that neither any time limit for withdrawal of loan instalments nor any provision for increase in the rate of interest to be charged in the event of Government charging higher rates from the Corporation was made in the agreement with the loanee companies.
7.	3.9	The Committee are unhappy to note that even the steps required of the Corporation to be taken in terms of the mortgage deed were not initiated at all barring issue of routine reminders and discussions with the representatives of the Loanee Company. The Committee are of the opinion that the Corporation has failed in the discharge of its responsibility owing to the defective provisions in the agreement and has failed even to take the

1	2	3
		legal steps. The Government should have examined the question of taking steps to safeguard its financial interests.
8.	3.11	The Committee feel that the question of appointment of an Authorised Controller for the Mill should immediately be taken up by the Ministry of Foreign Trade and Supply.
9.	3.16	From the information available with the Committee it is seen that the Company remitted a cheque to the Corporation for Rs. 1,52,490.80 on 1st February, 1967 towards repayment of the 6th instalment of Principal as against Rs. 2,05,333 due from them. Similarly, the Company remitted a cheque for Rs. 38,122.70 on the 30th June, 1967 towards payment of interest as against Rs. 38,857.95. The Solicitor had advised the Corporation that the cheques could be accepted in part payment and without prejudice to the rights of the Corporation. Ignoring the Solicitor's advice, the Corporation allowed the two cheques to lapse. The Committee are of the opinion that the Corporation should have accepted the two cheques and then followed up for the balance. They note that the officers of the Corporation entrusted with the preparation of a report by an on the spot inspection failed to submit the report after such a long time. The Committee are disappointed at the indifferent manner in which the entire dealing was handled by the Corporation.
10.	3.21	The Committee are of the opinion that the working of the Mill was not satisfactory at the time of granting the loan. Also that the Company did not have sufficient working capital at the time of sanction of the loan or after the grant of the loan. The Committee, therefore, deprecate the practice of granting loans without examining the soundness of the borrowing company. They would also suggest to the Government to

1	2	3
		take quick decision regarding the Corporation's recommendation that the Company which is under the management of the Authorised Controller should be taken over by the National Textile Corporation.
11.	3.26	The Committee feel that except for the issue of routine reminders, no action was taken by the Corporation for the realisation of dues. The Committee also deprecate that no penalty clause for levying the penal rate of interest in case of default in making repayment of the principal on due dates was made in the Agreement resulting in heavy losses to the Corporation.
12.	3.34	The Committee are surprised to note that in spite of the Jute Loan Advisory Committee's opposition to recommend the granting of the first loan, the Corporation deemed it fit to grant this loan. Further, knowing that the loanee had continued to incur heavy losses, a second loan was granted to the Company. As the loanee Company did not pay the dues of the Corporation and committed default in terms of mortgage deed the Corporation had become entitled to exercise the powers given to it under the mortgage deed either to sell the property or to concur in selling the property or to appoint a receiver. Regardless of continuous default by the loanee Company no action was taken by the Corporation to sell the property or to appoint a receiver. Also the reasons as to why the sale of the property by the Court was not contested by the Corporation is not known. The Committee are of the view that the Corporation had committed a great blunder by agreeing to the sale of the mortgaged properties by the Court and ignoring to take the possession of the mills, with the consequence that the expenditure incurred on litigation became unavoidable and the realisation of the dues of the Corporation became far from assured.

1	2	3
13.	4.3	The Estimates Committee in their 122nd Report (Para 16) on the working of the NIDC had recommended that an important project like the Technological Consultancy Bureau should not have been launched without a comprehensive project report on the various aspects and suggested that the project report may be published before its adoption. In the absence of a specific reaction of the Government to this suggestion, the Committee reiterated their recommendation in their 20th Action Taken Report (3rd Lok Sabha). Having gone through the merit of the working of the NIDC, the Committee are convinced that such a project as the TCB should not have been launched without a proper project report. The Committee highly deprecate the tendency on the part of the Government to flout the recommendation contained in the 122nd Report (1960-61) of Estimates Committee and further reiterated in their 20th Action Taken Report (1962-63) and are compelled to reiterate it for the third time.
14.	4.7	The Committee feel that the NIDC had mostly undertaken assignments for Technical Appraisals, Demand Surveys or general studies and not undertaken sufficient assignments for the actual establishment of industries. With technologists having professional background in their respective fields of activity, the NIDC should have been in a position to handle assignments of more concrete nature.
14.	4.16	From the statement of NIDC officers deputed abroad on a certain assignment it is observed that for the Evaluation, Scrutiny I Technical appraisal of Preliminary Project Reports, the NIDC engineers did not visit the actual site. The Committee are surprised that for a detailed report about a project, the NIDC engineers could submit a report without visiting the actual site.

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16.	4.21	The Committee are not happy over the fact that the Managing Director has been left with the sole powers of settling prices even though at the cost of the Corporation. The Committee are not convinced of the argument that a reduced price was charged because this was the first job taken on turn-key basis and that lower fee was charged because of Himachal Pradesh being relatively lesser developed area. The Committee are of the opinion that the Board of Directors have failed to give any guide line to the Managing Director in regard to reducing the fees. They feel that such cases of charging lower prices should have been placed before the Board of Directors for their concurrence.
17.	4.24	The Committee are surprised that the Corporation knowingly suffered a loss of Rs. 65,831 for preparing detailed Project Report of Machine Tool Assessories, on behalf of William Jacks & Co., London merely because this was one of the first jobs received from abroad and the Corporation wanted to convince the foreign firm of their capability to do such work. Further, the Committee note that the Board of Directors had left the fixation of fees (including under charging with the Managing Director and the Government too was not kept informed in this specific case that the NIDC was losing money on taking this foreign assignment. The Committee feel that cases, where the price to be charged fell short of the estimated cost, should have been dealt with the prior approval of the Board of Directors if not of the Government.
17.	4.34	The committee regret that the desirability of providing a penalty clause or an incentive to ensure timely payments was not thought of by the NIDC till 1967.
19.	5.11	The Committee are not at all satisfied with the way the Corporation have been pursuing

1	2	3
		loan recoveries. Instead of concentrating fully on realising the dues, atempt are being made to handover the responsibility to other undertakings like I.F.C. and Textile Corporation who are reluctant to accept it. The Committee are anxious that the Government|Corporation should take legal steps to realise the outstanding dues.
20.	5.16	The annual Reports of the Corporation show a profit of Rs. 6.11 lakhs in 1966-67; Rs. 0.71 lakhs in 1967-68 and Rs. 11.18 in 1968-69. As on 31st March, 1969 a sum of Rs. 51.56 lakhs was outstanding against 11 mills on account of repayment of principal and another sum of Rs. 30.34 lakhs on account of payment of interest. Out of the 11 mills, three mills have closed down. The procedure of recovery from the remaining loanees being far from satisfactory large bad debts may become inevitable. Moreover, a sum of Rs. 12.71 lakhs is outstanding against various parties for the services rendered by the TCB from time to time. The Committee, therefore, are of the opinion that the figures of profits earned by the Corporation are being overshadowed by the heavy debts of the Corporation. The overall picture of the financial soundness of the Corporation is illusory. If the bad and doubtful debts are taken into account the Corporation's claim to be a profit making undertaking is doubtful. The Committee recommend that the Government should take immediate legal action to recover the outstanding dues.
21.	6.5	The Committee observe that the composition of the Board of Directors has been undergoing frequent changes year after year and of the 8 Members all are Central Government servants. The Committee feel that frequent changes in the composition of the Board is not conducive to the efficient management of the undertakings.

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22.	6.6	The Committee deprecate that the directive of the Ministry of Commerce and Industry that the Board should be constituted by leading industrialists with a few scientists, economists or public men qualified to make a positive contribution were flouted. Had this directive been borne in mine, the Board should have made positive contributions in the efficient running of the Corporation. Instead there were members on the Board who did not evince much interest in the affairs of the Corporation by frequently absenting themselves from the Board meetings regularly with the result that all powers of the Board passed on the Managing Director. The Committee feel that if the Board was constituted as directed by the Cabinet, the Corporation would not have come to grief.
23.	6.12	The Committee note that the number of meetings of the Executive Committee is almost the same as those of the Board. The primary object for the setting up of the Executive Committee was to meet more frequently than the Board to deal with immediate|urgent problems as they arise. Unfortunately the real purpose was defeated. The Committee feel that planned meetings of the Executive Committee at frequent intervals could have functioned as an effective standing Committee.
24.	6.17	The Committee are of the opinion that by vesting extraordinary powers including the residuary powers in the Managing Director, the Board of Directors and the Government have shown utter indifference in the management of the affairs of the Corporation. The Committee have formed the impression that the delegation of residuary powers to the Managing Director have resulted in violation of the provisions of the Companies Act. Thus the very idea of having a public control has been defeated. The

1	2	3
		Committee feel that if this tendency is permitted to continue, it would develop a dangerous concept in public sector undertakings and deprive the Parliament of its control. The Committee recommended that the Government should examine whether by delegating the residuary powers to the Managing Director, the Board of Directors have flouted any of the provisions of the Companies Act.
25.	6.21	In the opinion of the Committee a separate and well organised Financial Division with a Financial Adviser at its head is a pre-requisite for the efficient management of an undertaking. Apart from rendering expert financial guidance and advice the Financial Adviser is expected to study the economics of the undertakings with a view to advise the management on its efficient working. The Committee deplores that the NIDC did not feel the necessity of appointing a financial Adviser and Chief Accounts Officer and the Government realising the necessity for it did not take steps to enforce it on NIDC.
26.	6.25	The Committee are doubtful whether the plea taken by the Corporation for not having a comprehensive and effective system of internal audit as suggested by the Bureau of Public Enterprises is justified in view of the losses of public funds as evidenced in cases of purchase of airconditioners, hire of office accommodation and purshase of time recording clocks etc. The Committee feel that the Corporation should have introduced a comprehensive and effective system of internal audit like every other public sector undertakings.
27	6.27	Since the loaning activities of the Corporation has ceased with effect from 1963, the Committee fail to understood the necessity of maintaining an establishment at Bombay. The Work allotted to Bombay office could conveniently be

1	2	3
		transferred to Delhi office. The Committee, therefore, recommend that the Bombay office ot the NIDC should be wound up.
28.	6.34	It has been observed that the Corporation has not framed any recruitment Rules. A number of recruitments high salary posts have been made by the Corporation without proper advertisement. Recruitment to subordinate posts were also made without going through the accepted procedure of advertisement or through the Employment Exchange. The Committee are of the opinion that since the Corporation is adopting Central Government rules it has violated the Compulsory Notification of vacancies Act.
29.	6.36	The Committee note that the Corporation did not arrange any refresher course for different categories of employees especially for the serving engineers and management personnel to keep them in touch modern technical advancements. The Corporation should have considered deputing selected technical personnel for courses in other Institutions in India.
30.	7.6	From the powers delegated to the Dy. Chief Consultant it is observed that he was competent to sanction expenditure for the purchase of instrument, minor equipments and appartus upto Rs. 5,000 per annum. The NIDC purchased two time clocks in November, 1966 for Rs. 6,000 under the verbal instructions of the Dy. Chief consultant. Thus it would be seen that the Dy. Chief Consultant had gone beyond the scope of powers delegated to him. The Committee take a serious view of this misuse of power by the Dy. Chief Consultant and lack of supervision on the part of the Managing Director to allow such things to happen.

1	2	3
31.	7.7	Unlike a factory employing a large number of workers, the NIDC is a promotional-cum-technical organisation advancing loan to certain industries and rendering technical advice to enterpreneures|or industries. Consequently the Committee feel that the installation of time recording clocks in the Corporation can hardly be justified. The Committee is of the opinion that the expenditure of Rs. 11,340|- incurred on purchase of these time recording clocks was not necessary and has proved to be infructuous.
32	7.13	The Committee are concerned to find that the Corporation is paying Rs. 4.5 lakhs per annum as rent for the premises they are occupying. They are not convinced with the arguments advanced by the Corporation in favour of hiring such a costly accommodation. The Corporation's business regarding granting of loans has practically ceased and is mainly engaged in rendering consultancy services. The Committee, therefore, feel that hiring of such a costly accommodation was not justified.
33.	7.24	M|s. Air-conditioning Corporation offered air-conditioners at Rs. 4174.90 and M|s. American Refrigeration Corporation offered at Rs. 4200.90. The Committee are unable to understand why the NIDC did not consider the offer of these two companies in preference to M|s. Blue Star Engineering Co. specially when it was reported by the Chief Electrical Engineer that all the air-conditioners ware fitted with the same machine. Instead of following the straight forward line of action the NIDC authorities preferred the procedure of negotiating with the party who had quoted higher price for air-conditioners.
34.	7.27	The NIDC installed telephones at the residences of 8 offices under the OYT scheme @ Rs. 2,000|- per telephone plus cost of installation, on the authority of the Managing Director. Under

1	2	3
		the Financial and Accounting Manual of the Corporation, the installation of telephones required the sanction of the Executive Committee and the Board of Directors. The Committee feel that by defying the instructions contained in the Financial and Accounting Manul of the Corporation the Managing Director has acted without showing a sense of responsibility. The Committee suggest that the Government should take a serious view of such lapses on the part of the Managing Director. The Committee recommend that the Government should probe into the affair of the installation of the telephones without the approval of the Board of Directors and if necessary effect the recovery of the cost involved in this unauthorised expenditure.
35.	8.6	The Committee feel that adequate number of consultancy agencies have been brought into existence both in the public and private sector representing different fields of technological activities. Even as consultants, NIDC's role was hardly appreciable to justify an independent existence. Facts contained in the body of this Report confirms this conclusion.
36.	8.7	In view of the fact that the Corporation is not specialising in any rare field of technological activity and its functions having been confined to a very limited field, the Committee reiterate the recommendation of the Estimates Committee contained in their 122nd Report (1960-61) and recommend that the Government should consider the desirability of allowing this Corporation to exist with such a limited sphere of work .

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Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
	DELHI		33.	Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi—1.	68
24.	Jain Book Agency, Connaught Place, New Delhi.	11	34.	People's Publishing House, Rani Jhansi Road, New Delhi.	76
25.	Sat Narain & Sons, 3141, Mohd. Ali Bazar, Mori Gate, Delhi.	3	35.	The United Book Agency, 48, Amrit Kaur Market, Pahar Ganj, New Delhi.	88
26.	Atma Ram & Sons, Kashmere Gate, Delhi-6.	9	36.	Hind Book House, 82, Janpath, New Delhi.	95
27.	J. M. Jaina & Brothers, Mori Gate, Delhi.	11	37.	Bookwell, 4, Sant Narankari Colony, Kingsway Camp, Delhi-9.	96
28.	The Central News Agency, 23/90, Connaught Place, New Delhi.	15		MANIPUR	
29.	The English Book Store, 7-L, Connaught Circus, New Delhi.	20	38.	Shri N. Chaoba Singh, News Agent, Ramlal Paul High School Annexe, Imphal.	77
30.	Lakshmi Book Store, 42, Municipal Market, Janpath, New Delhi.	23		AGENTS IN FOREIGN COUNTRIES	
31.	Bahree Brothers, 188 Lajpatrai Market, Delhi-6.	27	39.	The Secretary, Establishment Department, The High Commission of India, India House, Aldwych, LONDON W.C.—2.	59
32.	Jayana Book Depot, Chapparwala Kuan, Karol Bagh, New Delhi.	66			

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