

ESTIMATES COMMITTEE 1962-63

TWENTIETH REPORT (THIRD LOK SABHA)

MINISTRY OF COMMERCE AND INDUSTRY

**Action taken by Government on the Recommendations
contained in the Hundred and Twenty-Second Report
(Second Lok Sabha) of the Estimates Committee
on the Ministry of Commerce and Industry**

National Industrial Development Corporation Ltd



**LOK SABHA SECRETARIAT
NEW DELHI**

February, 1963/Magha, 1884 (Saka)

Price : Re. 0.40 nP.

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ESTIMATES COMMITTEE

1962-63

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*Elected w.e.f. 15th November, 1962 *vice* late Shri B. J. Singh.

**Elected w.e.f. 18th August, 1962 *vice* Shri Shivram Rango Rane resigned.

(iv)

28. Shri G. G. Swell
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SECRETARIAT

Shri Avtar Singh Rikhy—*Deputy Secretary.*

INTRODUCTION

1. the Chairman, Estimates Committee, having been authorised by the Committee present this Twentieth Report on action taken by Government on the recommendations contained in the Hundred and Twenty-Second Report (Second Lok Sabha) of the Estimates Committee on the Ministry of Commerce and Industry—National Industrial Development Corporation Ltd.

2. The Hundred and Twenty-Second Report of the Estimates Committee was presented to Lok Sabha on the 1st April, 1961. Government furnished their replies indicating action taken or proposed on the recommendations contained in the Hundred and Twenty-Second Report between 23rd October, 1961 and 11th July, 1962. These replies were considered by the Study Group 'D' of the Estimates Committee on the 22nd November, 1962. The draft Report on action taken on the recommendations contained in the Hundred and Twenty-Second Report was considered by the Study Group 'D' on the 22nd January, 1963 and adopted by the Committee on the 29th January, 1963.

3. The Report has been divided into the following four Chapters:—

I. Report.

II. Recommendations that have been fully accepted by Government.

III. Replies of Government that have been accepted by the Committee.

IV. Replies of Government that have not been accepted by the Committee.

4. An analysis of the action taken by Government on the recommendations contained in the Hundred and Twenty-Second Report of the Estimates Committee is given in Appendix II. It would be observed therefrom that out of 13 recommendations made in the Report, 6 recommendations *i.e.*, 46·2 per cent have been fully accepted by Government. Of the rest, replies of Government to 3 recommendations *i.e.*, 23·0 per cent have been accepted by the Committee while those in respect of 4 recommendations *i.e.*, 30·8 per cent have not been accepted by the Committee.

H. C. DASAPPA,
Chairman,
Estimates Committee.

NEW DELHI-1.
February 4, 1963.
Magha 15, 1884 (Saka).

CHAPTER I

REPORT

In paras 22-23 of the 122nd Report (Second Lok Sabha) on the Ministry of Commerce and Industry—National Industrial Development Corporation Ltd., the Committee had suggested that the field of activity of the N.I.D.C. as a lending agency might be transferred to the Industrial Finance Corporation or any other agency whose operations might not result in losses entailing grants by way of subsidy. The Government in reply have stated that the other lending institutions like the Industrial Finance Corporation etc. finance either the setting up of new industries or expansion which are based on normal commercial considerations while the N.I.D.C. is for the purposes of rehabilitation. Secondly, it has been stated that if this work is to be given to the other institutions, elaborate directives and possibly statutory amendments would be necessary. The Committee do not consider that these are insurmountable difficulties. *They consider that the multiplicity of state sponsored financing organisations should be minimised as far as possible. The Committee feel that the existing institutions like Industrial Finance Corporation, Industrial Credit and Investment Corporation, and State Finance Corporations, could well handle the work of advancing loans for rehabilitation of industries which is at present entrusted to N.I.D.C. This would not only make for economy but the industries would have the facility of dealing with fewer organisations for obtaining loan. The Committee, therefore, reiterate the recommendation made in para 23 of their Report.*

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY THE GOVERNMENT

Sl. No. as in Appendix IV of the 122nd Report.	Para No.	Summary of Recommendation/ Conclusion	Reply of the Government
1	2	3	4

1 8 The Committee suggest that the Accepted.
present arrangement under which
the Ministers are functioning as [Ministry of Commerce & Industry
Chairman and Vice-Chairman of the O.M. No. 3(6)-NIDC/61, dated the
N.I.D.C. may be reconsidered in 23rd October, 1961].
the light of the reasons given in
Paras 7-8 of the Report.

7 32 The Committee trust that Heavy Noted.
Structural Fabrication Works and
Heavy Plate Vessel Works projects [Ministry of Commerce & Industry
which have got a very important O.M. No. 3(6)-NIDC/61, dated the
bearing on the setting up of heavy 23rd October, 1961].

industries in the country would be finalised before long.

Further information called for by the Committee.

It may please be stated whether the projects have been finalised by now. If not, the expected date of finalisation may please be mentioned.

[L.S.S. O.M. No. 38-61/EC, dated the 20th December, 1961].

Proposals were submitted by a U.K. firm for the manufacture of Heavy Structural Fabricating Works and Heavy Plate and Vessel Works. As certain clauses of the draft agreement submitted by the firm need revision, particularly in regard to financial commitments, the matter will further be discussed with their representatives during their visit to Delhi, in the middle of January, 1962. The draft agreement will be finalised soon thereafter.

[Ministry of Commerce & Industry
O.M. No. 3(30)-NIDC/61, dated the 8th January, 1962].

Latest position in the matter may kindly be stated.

[L.S.S. O.M. No. 38(1)-61/EC, dated the 16th May, 1962].

Discussions with regard to the establishment of Heavy Plate and Vessel Works and Heavy Structural Works in the country in collaboration with a British Group of firms have been nearly completed and the representatives of the collaborators are expected in India shortly to sign an agreement. The project will be set up near Wardha (Maharashtra State). The Government of Maharashtra have already taken steps to acquire the land in the Wardha

tahsil. A team of nucleus staff will be sent shortly to Nagpur to undertake planning and preparatory work of this project.

[Ministry of Commerce & Industry
O.M. No. 3(30)-NIDC/62, dated the
11th July, 1962].

Accepted.

[Ministry of Commerce & Industry
O.M. No. 3(6)-NIDC/61, dated the
23rd October, 1961].

The Committee find it difficult to appreciate reasons for entrusting Ophthalmic Glass project to the Heavy Engineering Corporation and feel that it could perhaps have been as well entrusted to the National Instruments Factory which is already in the line.

Accepted.

[Ministry of Commerce & Industry
O.M. No. 3(6)-NIDC/61, dated the
23rd October, 1961].

The Committee are of the opinion that whenever a project processed by the N.I.D.C. reaches a final stage and is passed on to other parties in the private sector, a reasonable portion of the developmental expenditure should be recovered from the parties concerned. They do not think that any entrepreneur will be reluctant to pay for the services.

The Committee suggest that full publicity should be given whenever it is considered necessary to hand over the execution of a project initially sponsored by the N.I.D.C. to any parties in the private sector.

The Committee are critical of delays in presenting the Annual Reports of N.I.D.C. to Parliament which not only result in the violation of the provisions of the Companies Act but also deprive the Parliament of their right to be posted with the financial result of the working of a Government Company in time.

Accepted.

[Ministry of Commerce & Industry
O.M. No. 3(6)-NIDC/61, dated the
23rd October, 1961].

The Annual Reports of the N.I.D.C. will in future be presented to the Parliament in time. The delay in presenting the Annual Report of the Corporation for 1958 was mainly due to the demise of the sole proprietor of the Company of Auditors, and re-appointment of the same firm of Auditors which had been reconstituted under the same name for the audit of the accounts of the Corporation.

[Ministry of Commerce & Industry
O.M. No. 3(6)-NIDC/61, dated the
23rd October, 1961].

CHAPTER III

REPLIES OF GOVERNMENT THAT HAVE BEEN ACCEPTED BY THE COMMITTEE

Sl. No. as in Appendix IV of the 122nd Report	Para No.	Summary of Recommendation/ Conclusion	Reply of the Government
1	2	3	4

4 27 On a perusal of the list of loanes, the Committee consider that however justifiable and unexceptional these loans may have been, there are among them parties who could perhaps have raised the necessary resources on their own without the special aid from N.I.D.C. and that the funds that have now been given to them could have been preferably made available to other parties whose position to raise such loans by other means is not equally strong.

The Corporation has not so far rejected any of the suitable applications on the ground that the funds at its disposal are limited. The applications are considered with reference to the needs for rehabilitation of the units and the financial position of the units as such, and not in relation to those who may have a formal or informal controlling interest over the units. There is a provision, however, that if the loans sanctioned exceed a crore for any one group, Government's special approval should be obtained.

[Ministry of Commerce & Industry
O.M. No. 3(6)-NIDC/61, dated the
23rd October, 1961].

The Committee feel that the processing of Sulphur from Pyrites project has been unduly delayed and the progress rather tardy.

A detailed note from the N.I.D.C. is attached.—Appendix I. It will be seen that while there has been delay, it is essentially due to the difficulty in finding a commercially workable process for extraction of sulphur from pyrites. Even now alternative processes that could be utilised are under experimentation.

[Ministry of Commerce & Industry
O.M. No. 3(6)-NIDC/61, dated the
23rd October, 1961].

The project for the manufacture of Newsprint from bagasse too has not made much headway during last four years.

Small-scale preliminary trials carried out in Japan and Germany with the Indian bagasse did not prove encouraging and it was found there were a number of technical difficulties in the manufacture of Newsprint from bagasse. It was also noticed that some private Indian firms experienced in the manufacture of paper etc. were successfully negotiating, on their own, for some processes developed by some foreign firms for the utilisation of bagasse for the manufacture of Newsprint. It seemed that the line of development of newsprint would be closely-linked with the production of paper and paper products along with the manufacture of Newsprint etc. In view

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of the above, the project for the manufacture of Newsprint from bagasse has been dropped from the public sector.

[Ministry of Commerce & Industry
O.M. No. 3(6)-NIDC/61, dated the
23rd October, 1961].

CHAPTER IV

REPLIES OF GOVERNMENT THAT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Sl. No. as in Appendix IV of the 122nd Report	Para No.	Summary of Recommendation/ Conclusion	Reply of the Government	Comments of the Committee
1	2	3	4	5
2	16	The Committee were somewhat surprised to learn that in setting up a Technological Consultancy Bureau of such importance with a potentiality to grow very big, the N.I.D.C. 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	It is understood that the N.I.D.C. 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 arrangements in the country and may ultimately lead to training of man-power to undertake consultancy and design work and considerable saving in foreign exchange. [Ministry of Commerce & Industry O.M. No. 3(6)-NIDC/61, dated the 23rd October, 1961].	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. There is no specific reaction to this suggestion. The Committee, therefore, reiterate their recommendation.

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.

3 22-23

The N.I.D.C. has been charged with the task of finding finance for the modernisation and rehabilitation of Jute and Cotton Textile Mills—and that for these two only—when the other financing Corporations like I.F.C., I.C. & I.C., State Finance Corporations could perhaps have been utilised for the purpose as well. Considering the present financial structure of the N.I.D.C., it appears that there is no prospect of the Corporation keeping down even its costs in the near future. It would, perhaps, be more appropriate if the present field of activity of the N.I.D.C. as a lending agency were transferred to the Industrial Finance Corporation or any other such agency whose operations may not result in losses entailing grants by way of subsidy.

Please see Chapter I.

The N.I.D.C. was preferred to the other institutions for handling these loans because these loans are distinct in character from the loans which the other lending institutions like I.F.C. etc., handle. These other bodies really finance either the setting up of new industries or expansions which are based on normal commercial considerations. The N.I.D.C. loans, however, are intended for purposes of rehabilitation. If this work is to be given to the other institutions, elaborate directives will be necessary; possibly, statutory amendments also may be necessary. In any case, the requisite elasticity in the consideration of the proposals might be lacking. Therefore, on the whole, there is advantage in retaining this work with the N.I.D.C. Government have, however, recently

decided that the rate of interest to be charged by the N.I.D.C. shall be 6%. Therefore, in future, the element of subsidy because of low interest rates will be considerably reduced.

[*Ministry of Commerce & Industry*
O.M. No. 3(6)-NIDC/61, dated the
23rd October, 1961].

12 The N.I.D.C. purports mainly to process certain industries referred to it by the Ministry of Commerce and Industry. What is more, the N.I.D.C. has not even the necessary technical staff and it has to depend generally on the Development Wing to assist it or to engage on an ad hoc basis technical advisers for specific projects. It is only when the preliminary project studies are received from foreign firms whose assistance is sought by Government that the N.I.D.C. examines them in detail in consultation with the Ministries concerned. It seems, therefore, that the idea of N.I.D.C. being an instrument for securing a balanced and integrated development of industries in the private and public sectors is a little over-statement.

41 The reply does not cover the point raised in the conclusion such as N.I.D.C. not having any technical staff and its dependence on the Development Wing. The Ministry is now split up and all the heavy industries are not with the Ministry of Commerce and Industry, but with a new Ministry. In the circumstances, the Committee can only reiterate the original conclusion.

When the N.I.D.C. was set up in October, 1954, it was Government's intention to use the Corporation as an instrument for securing a balanced and integrated development of industries. However, in the functioning of the Corporation, in regard to the formulation aid execution of new projects, the emphasis has, so far, been on making use of the N.I.D.C. as an agency of the Government for the investigation and initial processing of a number of vital projects considered necessary for filling up of gaps in the industrial structure of the country.

[*Ministry of Commerce & Industry*
O.M. No. 3(6)-NIDC/61, dated the
23rd October, 1961].

13 42 The Committee are of opinion that if divested of its function 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 for consideration for the Government whether they should continue to keep the N.I.D.C. going as an institution with such a limited sphere of work.

It has been explained under S. No. 3, why it is considered that it is desirable to continue the N.I.D.C. as a Financing Agency, for purposes of rehabilitation of certain industries. In view of the N.I.D.C. therefore, continuing to exist, efforts are proposed to be made to see whether it could not also be utilised more effectively in the discharge of its other functions in relation to the development of industries.

[Ministry of Commerce & Industry
O.M. No. 3(6)-NIDC/61, dated the
23rd October, 1961].

It is stated that efforts are proposed to be made to see whether N.I.D.C. could not also be utilised more effectively in the discharge of its functions other than as a financing agency. The Committee has no objection to defer the consideration of its recommendation till after the above proposals are implemented and results known.

NEW DELHI:

February 4, 1963.

Magha 15, 1884 (Saka).

H. C. DASAPPA,

Chairman,

Estimates Committee.

APPENDIX I

[*Vide* reply to recommendation No. 5 in Chapter III]

Since its inception, the N.I.D.C. has taken keen interest in the project for the manufacture of sulphur from pyrites, which is an essential raw material of vital importance for many basic industries—chemical, sugar, rubber and others and particularly for defence. After some initial investigation, a scheme was worked out for extracting sulphur out of indigenous pyrites, deposits of which were known to exist in Shahabad district of the State of Bihar, by a process adopted in Norway called the “Orkla Process”. M/s Orklas indicated their willingness to assist the project in adopting this process. Further processing of the scheme, however, depended on the proving of adequate and suitable quantities of pyrites which would justify the economic operations. The Indian Bureau of Mines was, therefore, requested to carry out detailed exploration of the Amjhore area. As a result of investigations carried out by the Indian Bureau of Mines, during 1957—59, it was ultimately established that sufficient reserves of pyrites of suitable quality were available in Bihar. The proved reserves were of the order of 8 million tons and probable reserves about 384 million tons assaying 40% of sulphur.

Preliminary laboratory tests carried out on a sample of Amjhore pyrites despatched to Norway proved satisfactory and Mr. Sandvik, an expert from Norwegian firm of Orkla, came to India, at the invitation of the National Industrial Development Corporation and visited the site of the deposits. He submitted a report on the mining and winning of the ores and broad estimates for project for sulphur from pyrites, in December 1959. His report indicated that the Orkla Process could be adopted for the Amjhore Ore, but it would have to be confirmed by a large-scale smelter test at the works of M/s Orkla in Norway. For this purpose, he suggested that about 1000 tons of pyrites ores should be despatched to Norway.

The Indian Bureau of Mines was entrusted with the work of mining this quantity of Ore. The Ore was despatched to Norway, in June 1960, by the Pyrites & Chemic&al Development Company (P) Limited, which was set up in the meantime, in March 1960, as a subsidiary of the National Industrial Development Corporation to expedite progress on the project. The tests were conducted in Norway during October-November 1960, as scheduled.

In accordance with the arrangement already made with Orklas, an Indian delegation also went to Norway in October 1960, to observe

the trials on the spot and collect the requisite data at the various stages of the tests. The Orklas' report on the tests, which was received in India in January 1961, however, disclosed a position of uncertainty regarding the suitability of Orkla Process for treating Amjhore pyrites. The tests in the Orkla furnace actually brought to light an inherent characteristic of the Indian Ore, viz., its tendency to disintegrate on heating at 500° C or above, which had introduced certain difficulties in the application of the Orkla process to the Indian Ore. (It may be mentioned that the Orkla Process is the only known commercial process in vogue for the production of elemental sulphur from pyrites lumps). The actual behaviour of the Indian Ore in the Orkla furnace has, however, shown that it is necessary to modify the Orkla Process in order that it may be applied to the Indian Ore. To find out what modifications would be necessary, a proposal to send another sample of 2000 tons to Norway for further tests is under consideration. 2000 tons of pyrites ore have been mined, but their despatch to Norway has been postponed on account of intimation received from M/s Orkla of the impending strike in their works.

Investigations are also being made to find out another process (other than the Orkla Process) which may be suitable for treating the Amjhore pyrites. In this connection, details of the Octocumpo Process have been called for from M/s Orklas, M/s Octocumpo and through our Charged' Affaires in Finland. M/s Dorr Oliver have also been requested if they can suggest a suitable process for the extraction of Sulphur from Pyrites.

It will thus be seen that this unforeseen delay in the implementation of the Project has been due to certain unexpected complex problems, which have been encountered during the large-scale tests in Norway. Strenuous efforts are being made to accelerate the progress of the Project for the manufacture of Sulphur from Pyrites.

APPENDIX II

*Analysis of action taken by Government on the recommendations contained in the
122nd Report of the Estimates Committee (Second Lok Sabha)*

1. Total number of recommendations made	13
2. Recommendations accepted fully by Government (<i>vide</i> recommendations in Chapter II) .	
NUMBER .	6
PERCENTAGE TO TOTAL	46·2%
3. Recommendations not accepted by Government but replies in respect of which have been accepted by the Committee (<i>vide</i> recommendations 4, 5 and 6 in Chapter III)	
NUMBER .	3
PERCENTAGE TO TOTAL	23%
4. Recommendations replies to which have not been accepted by the Committee (<i>vide</i> recommendations 2, 3, 12 and 13 in Chapter IV)	
NUMBER	4
PERCENTAGE TO TOTAL	30·8%
