

COMMITTEE ON PUBLIC UNDERTAKINGS (1982-83)

(SEVENTH LOK SABHA)

SEVENTY-SEVENTH REPORT

Action Taken by Government on the recommendations
contained in the Forty-sixth Report of the Committee
on Public Undertakings (Seventh Lok Sabha)

ON
ELECTRONICS TRADE AND TECHNOLOGY
DEVELOPMENT CORPORATION LTD.

(Department of Electronics)

Presented to Lok Sabha

and

Laid in Rajya Sabha on 29.4.1983



LOK SABHA SECRETARIAT
NEW DELHI

April, 1983/Vaisakh, 1905(S)

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CORRIGENDA TO SEVENTY SEVENTH
REPORT OF THE COMMITTEE ON
PUBLIC UNDERTAKINGS (SEVENTH
LOK SABHA)

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**COMMITTEE ON PUBLIC UNDERTAKINGS
(1982-83)**

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22. **Shri Syed Sibtey Razi**

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1. **Shri T. R. Krishnamachari—*Joint Secretary***
2. **Dr. D. N. Gadhok—*Chief Financial Committee Officer***
3. **Shri G. S. Bhasin—*Senior Financial Committee Officer.***

**SUB-COMMITTEE ON ACTION TAKEN OF THE
COMMITTEE ON PUBLIC UNDERTAKINGS
(1982-83)**

1. Shri Madhusudan Vairale—*Chairman*
2. Shri Kamaluddin Ahmed—*Convener*
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5. Shri D.K. Naikar
6. Shri Pratap Bhana Sharma
7. Shri Satyendra Narain Sinha
8. Shri J.P. Mathur
9. Shri Syed Sibtey Razi

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present this 77th Report on Action Taken by Government on the Recommendations contained in the 46th Report of the Committee on Public Undertakings (Seventh Lok Sabha) on Electronics Trade & Technology Development Corporation Ltd.

2. The 46th Report of the Committee on Public Undertakings was presented to Lok Sabha on 29 April, 1982. Replies of Government to all the recommendations contained in the Report were received on 20 January, 1983. The replies of Government were considered by the Action Taken Sub-Committee of the Committee on Public Undertakings on 26 April, 1983. The Report was finally adopted by the Committee on Public Undertakings on 27 April, 1983.

3. An analysis of the Action Taken by Government on the recommendations contained in the 46th Report (1981-82) of the Committee is given in Appendix.

NEW DELHI;
April 28, 1983

Vaisakha 8, 1905 (S)

MADHUSUDAN VAIRALE,
Chairman,
Committee on Public Undertakings.

CHAPTER I

REPORT

This Report of the Committee deals with the action taken by Government on the recommendations contained in the 46th Report (7th Lok Sabha) of the Committee on Public Undertakings on Electronics Trade & Technology Development Corporation Ltd., which was presented to Lok Sabha on 28 April, 1982.

2. Action Taken notes have been received from the Government in respect of all the 11 recommendations contained in the report. The recommendations have been categorised as follows :

- (i) Recommendations/observations that have been accepted by Government
Sl. Nos. 2, 4-11.
- (ii) Recommendation/Observation in respect of which the Government's reply has not been accepted by the Committee
Sl. No. 1
- (iii) Recommendation/Observation in respect of which final reply of Government is still awaited
Sl. No. 3

3. The Committee will now deal with the action taken by Government on some of their recommendations.

Objectives

Recommendations (Serial Nos. 1 and 8 Paras 11.1 and 11.8)

4. Having been informed that the objective of the Electronics Trade & Technology Development Corporation Ltd. as set out in its Articles of Association were found to be somewhat unwieldy and needed to be redefined, the Committee had *inter-alia* recommended that objectives and obligations of the Corporation should be redefined and spelt out clearly. In this context the Committee had pointed out that it did not approve of the thinking of the ETTDC that its objective was research and development to promote only exports. According to the Committee the Corporation had clearly an obligation to upgrade the electronic industry as a whole.

5. The Government have, in their reply, mentioned that the objectives of ETTDC, as spelt out in the Memorandum of Association of the Company are already adequate and wide ranging.

6. The objectives and obligations as spelt out in the Articles of Association of the Company are undoubtedly comprehensive and wide ranging. But precisely for these reasons the *micro* objectives and obligations of the Corporation need to

be spelt out very clearly and in unambiguous terms with a view to providing a proper orientation for the activities of the Corporation. The Committee recommend that the Department should lay down the objectives and obligations of the Corporation in precise terms so as to enable a critical evaluation of the performance of the Corporation with reference to those objectives. The Committee need hardly point out that in terms of the directive issued by the Bureau of Public Enterprises in November, 1970, objectives and obligations of each public undertaking have to be laid down with the approval of Government.

Development of Telephone Instruments

Recommendation (Serial No. 4 para 11.4)

7. Dealing with the project for development of telephone instruments taken up by the ETTDC, on which the Corporation had already spent Rs. 12 lakhs without taking the approval of P & T Department, the Committee desired to be informed of the reaction of the P & T Department and whether the project would be viable.

8. The Government have, in their reply, stated that the telephone instrument developed by ETTDC has not been finally accepted by P & T Department.

9. Now that the telephone instrument developed by ETTDC has not been accepted by P & T Department there can be no commercial production and therefore the question of viability of the project does not arise. The Committee can only hope that no infructuous expenditure will be incurred on account of lack of care on such projects without initially taking the user Department into confidence, in future.

Representation from former Chairman-cum-Managing Director

10. The Committee received a representation dated 1st January, 1983 on the 46th Report from the former Chairman-cum-Managing Director of ETTDC. The Committee considered the representation after obtaining comments thereon from the Department of Electronics. The Committee do not find it necessary to modify any of the conclusions/recommendations contained in the 46th Report on the basis of the representation.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (Serial No. 2 Paragraph II. 2)

The annual contribution of the ETTDC to the trade in electronics consisted of import sales ranging from Rs. 9.89 crores to Rs. 12.04 crores and export sales ranging from Rs. 0.81 crore to Rs. 1.51 crores during 1977-81. This was less than the modest target set in its budget. There is no evidence of sustained effort to improve the capability of existing electronic enterprises in the country. Some attempt has been made to promote production ventures on the basis of borrowed technology to cater to export market. This attempt has not registered any success so far. The Committee feel that the emphasis should be on upgrading of the electronics industry as a whole to cater to home consumption as well as exports.

Reply of the Government

The recommendation of the Committee has been noted.

[Dept. of Electronics O. M. No. 4(12)/80-PUC dated 19.1.1983.]

Recommendation (Serial No. 4 Paragraph No. II. 4)

A project for development of telephone instruments has also been taken by the ETTDC and the know-how has been transferred to Gujarat Communications & Telephone Ltd. for production. It is surprising that approval of the P & T Department is yet awaited for the commercial production to start. The ETTDC has so far spent Rs. 12 lakhs on this project. In this connection the Committee recall that the ITI is already proposing to go in for foreign collaboration for updating its telephone instrument for mass production. The Committee would await the reaction of the P & T Department to the project of the ETTDC and whether the project would be viable.

Reply of the Government

The telephone instrument developed by ETTDC has not been finally accepted by P & T.

[Dept. of Electronics O.M. No. 4 (12) 80-PUC dated 19.1.83]

Comments of the Committee

Please see paragraphs 7 to 9 of Chapter 1 of the Report.

Recommendation (Serial No. 5 Paragraph II)

The ETTDC has fared badly in yet another project for manufacture of Ferrite Core memory stacks through the ECIL for export to USSR. The commitment from the buyer to buy the product has been progressively scaled

down to uneconomic levels. The ECIL has spent Rs. 40 lakhs in establishing production besides Rs. 5 lakhs spent by the ETTDC towards licence fee paid to the collaborator. The product has already become obsolete in USSR and no export has taken place yet. The Committee trust that learning a lesson from this experience the ETTDC will avoid loss for itself or for sister Public Undertakings in future.

Reply of the Government

The Committee's recommendation has been noted.

[Dept. of Electronics O.M. No. 4 (12)/80-PUC dated 19.1.83]

Recommendation (Serial No. 6 Paragraph II. 6)

The three foreign offices of the ETTDC at Warsaw, Moscow and Los Angels have contributed precious little to the income of the company. An annual expenditure of over Rs. 10 Lakhs is incurred on these. Now that the ETTDC has shifted its focus from the East European Countries the desirability of closing the Moscow and Warsaw offices should be considered. In any case it should be ensured that all the foreign offices are made commercially viable soon.

Reply of the Government

The recommendation of the Committee has been noted. The Company has been directed to make its foreign offices commercially viable. The Moscow and Warsaw Offices have been revamped and their operations are being watched. A stage has not yet come for their closure.

[Depit. of Electronics O.M. No. 4 (12)/80- PUC dated 19.1.1983]

Recommendation (Serial No. 7 Paragraph II.)

In the area of technology development the record of the ETTDC is very poor. In fact there is hardly any technology development. The company is at best endeavouring without much success to improve production engineering capability on the basis of borrowed technology. The return on the so called technology development has been insignificant. As against annual expenditure ranging from Rs. 11.53 lakhs to Rs. 16.62 lakhs during 1978—81, the income was less than a lakh of rupees, although an annual income of Rs. 10 lakhs was anticipated. The development projects therefore call for a critical review. Projects which would not be made viable should be dropped early.

Reply of the Government

A critical review of the development projects is under way and such of the projects, which are not found to be viable will be dropped.

[Department of Electronics O.M. No. 4(12)/80 PUC dated 19.1.83].

Recommendation (Serial No. 8 Paragraph II 8)

The objectives as set out in the Articles of Association of the ETTDC embrace upgrading the electronic industry, developing exports of electronic goods, organising imports of electronic items for internal distribution and

monitoring full and updated information regarding development and production in the field of electronics abroad. The last function has since been taken away from the company and entrusted to the Department of Electronics. The Committee do not approve of the thinking of the ETTDC that its objective is research and development to promote only exports. It has clearly an obligation to upgrade the electronic industry as a whole.

Reply of the Government

The recommendation of the Committee has been noted.

[Department of Electronics O.M. No. 4(12)-80 PUC dated 19.1.83]

Comments of the Committee

Please see paragraphs 4 to 6 of Chapter I of the Report.

Recommendation (Serial No. 9 Paragraph II. 9)

The structure of the Board of the ETTDC as envisaged at the time of its setting up provided for a part-time Chairman and full-time Managing Director, Director (Finance & Administration) and Director (Marketing). However, posts of Chairman and Managing Director were combined for some time and a Director (Technical) was appointed. There was no Director (Marketing). The Committee take exception to the non-operation of the post of Director (Marketing). In this connection they note the observations in the corporate plan of the company that there was no overall aggressive marketing plan that there was little market research activity leading to lost opportunities and that there was insufficient contact at appropriate levels besides poor report with the industry. The Committee, therefore, urge that a Director (Marketing) should be appointed without further delay. For an organisation of this size and nature there need not be more than two full-time Directors other than the Chief Executive on the Board.

Reply of the Government

The committee's observations have been noted. It has also been noted that the committee do not deem it justified to have more than two full time Directors in addition to CMD. Since there are already two full time Directors, one of whom is Director (Technical), it is submitted that the induction of a Director (Marketing) may await the retirement of the existing Director (Technical) who is to superannuate in November, 1984. It may, however, be mentioned that the present CMD has been in the marketing discipline during most of his service career, and the marketing side is therefore getting adequate attention.

[Department of Electronics O.M.No. 4 (12)/80—PUC dt. 19/1/83]

Recommendation (Serial No. 10 Paragraph II. 10)

An abnormal situation that developed in the Board of ETTDC culminated in the withdrawal of powers of the CMD which were vested in a sub-committee of the Board by resolutions brought at a meeting of the Board held in February 1981, expressing lack of confidence in the CMD. Without sitting in judgement on the issues that led to this, the committee feel that such action as the directors

have taken in this case was unseemly. The committee hope that "such a situation would be avoided and the normal procedure of reviewing the performance of the Chief Executive and taking suitable action by government followed in future."

Reply of the Government

The recommendation of the committee has been noted.

[Department of Electronics O.M. No. 4 (12)/80—PUC dt. 19-1-83.]

Recommendation (Serial No. 11. Paragraph II. 11)

The Committee are also not happy about the way the complaints against the management were handled by the department. Certain complaints received in January 1981 from some MPs were asked to be enquired into by an officer of the level of Director in the Ministry who also happened to be a government nominee on the Board of the ETTDC. The Committee feel that the CMD could have been given an opportunity to explain his position *vis-a-vis* the complaints and the preliminary enquiry entrusted to a fairly senior officer unconnected with the management of the ETTDC. They trust that in future this course would be followed.

Reply of the Government

The recommendation of the Committee has been noted.

[Department of Electronics O. M. No. 4 (12)/80-PUC dt. 19-1-83.]

CHAPTER III

RECOMMENDATION WHICH THE COMMITTEE DO NOT
DESIRE TO PURSUE IN VIEW OF GOVERNMENT'S REPLY

• NIL

CHAPTER IV

RECOMMENDATION IN RESPECT OF WHICH REPLY OF GOVERNMENT HAS NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation (Serial No. 1 Paragraph II. 1)

The Electronics Trade & Technology Development Corporation Ltd. was incorporated in 1974 as a Government company to accelerate the growth of electronics industry in the country through technology development and foreign trade. The Committee's examination has revealed that the company has failed to achieve any significant growth in its 8 years of existence. Its organisation and management is weak and the management lacks cohesiveness. It has confined itself mostly to imports which have largely been canalised. It had made feeble attempt to develop export-oriented production by borrowing technology and its contribution to exports is insignificantly small. In the areas of exports and imports it has at best projected an image of a poor middleman. Its financial management (especially cost, credit and inventory control) is unsatisfactory. The working results for the year 1980-81 have disclosed considerable losses. The Committee trust that on the basis of this Report the objectives and obligations of the company will be redefined and spelt out clearly, the policies and programmes reoriented and the management revamped so as to make the company an effective instrument of ensuring growth of electronics industry in the country.

Reply of the Government

The objectives of ETTDC, as spelt out in the Memorandum of Association of the Company are already adequate and wide-ranging. The obligations of the Company flow from these objects and are, therefore, comprehensive. If the Company has not been able to play its role effectively in the past, it is because of certain deficiencies in management and policies and programmes of the Company which the Committee has pointed out.

A new CMD has since been appointed and the Board has been reconstituted: It is hoped the Company's policies and programmes as now getting evolved, will make it an effective intrument to contribute towards the growth of electronics industry in the country.

(Dept. of Electronics O. M. No. 4 (12)/80-PUC dated 19.1.1983)

Comments of the Committee

Please see paragraphs 4 to 6 of Chapter 1 of the Report.

CHAPTER V

RECOMMENDATION IN RESPECT OF WHICH FINAL REPLY OF GOVERNMENT IS STILL AWAITED

Recommendation (Serial No. 3 Paragraph No. II. 3)

The Company took up a project for establishing production of 12" black and white TV for export to USA on know-how obtained from the buyer. The Company assisted a private concern (Orient Vision) in implementing the project. Though Rs. 70 lakhs worth of components have been imported by the ETTDC on behalf of Orient Vision for manufacture of 20,000 TV sets only 5,000 sets have been manufactured. Of these, only 1,000 sets were exported and that too below cost. The price is expected to improve on receipt of quality certificate from the buyer. The certificate has however not been obtained so far. An expenditure of Rs. 1.11 crores has been incurred by the ETTDC on behalf of Orient Vision and no part of it has been recovered. The private concern has disputed its liability to pay interest on its outstanding dues. The Committee take a serious view of the casual manner in which the project has been sponsored by the ETTDC and the large import of components without ensuring the profitable marketability of the products. This should be enquired into and a report given to the Committee bringing out *inter alia* the action proposed to be taken.

Reply of the Government

A Committee has been appointed to enquire into the matter. Its report is awaited. Final reply will be submitted on receipt of the Committee's findings.

(Dept. of Electronics O. M. No. 4 (12)/80-PUC dated 19.1.83)

NEW DELHI ;
April 28, 1983
Vaisakha 8, 1905 (S)

MADHUSUDAN VAIRALE
Chairman,
Committee on Public Undertakings.

APPENDIX

(*Vide* Para 3 of Introduction)

Analysis of action taken by Government on the recommendations contained in the Forty sixth Report of the Committee on Public Undertakings (Seventh Lok Sabha)

I.	Total number of recommendations made	11
II.	Recommendations that have been accepted by the Government (<i>vide</i> recommendations at S. Nos. 2 and 4 to 11)	9
	Percentage to total	81.8%
III.	Recommendation which the Committee do not desire to pursue in view of Government's reply.	Nil
	Percentage to total	Nil
IV.	Recommendation in respect of which reply of Government has not been accepted by the Committee (<i>Vide</i> recommendations at S. No. 1)	1
	Percentage to total	9.1%
V.	Recommendation in respect of which final reply of Government is still awaited (<i>Vide</i> recommendations at S. No. 3)	1
	Percentage to total	9.1%