C.P.U. No. 313

COMMITTEE ON PUBLIC UNDERTAKINGS (1975-76)

(FIFTH LOK SABHA)

EIGHTY-SEVENTH REPORT

Action taken by Government on the recommendations contained in the Sixty-third Report of the Committee on Public Undertakings (Fifth Lok Sabha)

on

NATIONAL TEXTILES CORPORATION, LIMITED

(MINISTRY OF COMMERCE)

L O K S A B H A S E C R E T A R I A T

N E W D E L H I

April, 1976/Vaisakha, 1898 (Saka)

Price : *Rs.* 1·50

LIST OF AUTHORISED AGENTS FOR THE SALE OF LOK SABHA SECRETARIAT PUBLICATIONS

Sl. No.	Name of Agent	Sl. No.	Name of Agent

ANDHRA PRADESH

I. Andhra University General Co-operative Stores Ltd., Waltair (Visakhapatnam).

2. G.R. Lakshmipaty Chetty and Sons, General Merchants and News Agents, Newpet, Chandragiri, Chittoor District.

ASSAM

3. Western Book Depot, Pan Bazar, Gauhati.

BIHAR

4. Amar Kitab Ghar, Post Box 78, Diagonal Road, Jamshedpur.

5. M/s. Crown Book Depot, Upper Bazar, Ranchi.

GUJARAT

6. Vijay Stores, Station Road, Anand.

7. The New Order Book Company. Ellis Bridge, Ahmedabad-6.

HARYANA

8. M/s. Prabhu Book Service, Nai Subzi Mandi, Gurgaon.

MADHYA PRADESH

9. Modern Book House, Shiv Vilas Palace, Indore City.

MAHARASHTRA

10. M/s. Sunderdas Gianchand, 601, Girgaum Road, New Princess Street, Bombay-2.

11. The Internatinoal Book House (Private) Limited, 6, Ash Lane, Mahatma Gandhi Road, Bombay-1.

12. The Intrnational Book Service, Deccan Gymkhana, Poona-4.

13. Charles Lambert & Company, 10, Mahatma Gandhi Road, Opposite Clock. Tower, Fort, Bombay.

14. The Current Book House, Maruti Lane, Raghunath Dadaji Street, Bombay-I.

15. Deccan Book Stall, Fergusson College Road, Poona-4.

16. M.& J. Services, Publishers Representatives, Accounts & Law Book Sellers, Bahri Road, Bombay-15.

MYSORE

17. People Book House, Opp. Jaganmohan Palace, Mysore

RAJASTHAN

18. Information Centre, Government of Rajasthan, Tripolia, Jaipur Ciy.

19. M/s. Usha Book Deport, 585 A, Chitra Bazar, Tripolia, Jaipur.

UTTAR PRADESH

20. Law Book Company, Sardar Patel Marg, Allahabad-I.

COMMITTEE ON PUBLIC UNDERTAKINGS

CORRIGENDA

Eighty-seventh Report of the Committee on Public Undertakings (1975-76) on action taken by Government on the recommendations contained in Sixty-third Report of the Committee.

Page	Line	For	Read
Contents	last line	'69'	'70'
(vii)	-do-	'1897(S)'	'1898(S)'
1	14 (para 1.3)	'6, 11 to 14, 23 to 25, 27, 30 and 42'	'1 to 5, 7 to 10, 15 to 22, 26, 28, 29 31 to 41, and'
4	12 (para 1.14)	'the Government'	'them'
4	In the foot-note, line 4.	Delete the word 'not' before the word 'proposed'	
14	7 (from bottom)	Insert 'of' between the words 'time setting'	
18	6	'administration'	'administrative'
21	9	'corporation'	'co-operation'
23	10-11	Delete the words 'The Committee recommended that Government should see restricted to minimum'	
27	17 (from bottom)	'whole	'while'

P.T.O.

Page	Line	For	Read
28	15 (from bottom)	'parameteress'	'parameters'
32	-	Insert the heading '<u>Reply of Government</u> between the lines 10 and 11'	
	24	'FABRICKS'	'FABRICS'
33	4 (from bottom)	'Paragraph 3.34'	'paragraph 8.34'
34	14	'see'	'sell'
56	5 (from bottom)	Add 'of' in between the words 'quantum machinery'	
57	3	Add 'a' in between the words 'reach level'	
58	2 (from bottom)	'ear-making'	'ear-marking'
65	7 (from bottom)	'qua non'	'sine qua non'

CONTENTS

COMMITTEE ON PUBLIC UNDERTAKINGS
(1975-76)

CHAIRMAN

Shri Nawal Kishore Sharma

MEMBERS

2. Shri Dinen Bhattacharya
3. Shri Bhogendra Jha
4. Shrimati Sheila Kaul
5. Shri V. Mayavan
6. Shri Surendra Mohanty
7. Shri Damodar Pandey
8. Shri Paokai Haokip
9. Shri Natwarlal Patel
10 Shri Ram Surat Prasad
11. Shri K. Narayana Rao
12. Shri Vasant Sathe
13. Shri C. K. Jaffer Sharief
14. Shri Atal Bihari Vajpayee
15 Shri Amarnath Vidyalankar
16. Shri Sriman Profulla Goswami
17. Shri Harsh Deo Malaviya
*18. Shri Jagdish Prasad Mathur
*19. Shri Bhola Prasad
20. Shri Veerendra Patil
21. Shri Sultan Singh
*22. Pandit Bhawani Prasad Tiwary

SECRETARIAT

Shri M. A. Soundararajan—*Chief Financial Committee Officer.*

Shri K. S. Bhalla—*Senior Financial Committee Officer.*

*Ceased to be a member of the Committee consequent on his retirement from Rajya Sabha.

ACTION TAKEN SUB-COMMITTEE OF THE COMMITTEE ON PUBLIC UNDERTAKINGS

(1975-76)

1. Shri Nawal Kishore Sharma—*Chairman*
2. Shri Harsh Deo Malaviya
3. Shri Vasant Sathe
4. Shri Amarnath Vidyalankar
5. Shri C. K. Jaffer Sharief
6. Shri Damodar Pandey
7. Shri Atal Bihari Vajpayee

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present this Eighty-seventh Report on Action Taken by Government on the recommendations contained in the Sixty-third Report of the Committee on Public Undertakings (Fifth Lok Sabha) on National Textiles Corporation Limited.

2. The Sixty-third Report of the Committee on Public Undertakings was presented to Lok Sabha on the 25th April, 1975. The replies of Government to all the recommendations contained in the Report were received in batches and the last batch was received on the 2nd March, 1976.

3. The replies of Government together with the draft report were considered by the Committee at their sitting held on the 2nd April, 1976, and the Chairman was authorised to finalise the Report and present it to Parliament.

4. The Report has been divided into the following three Chapters:

I. Report

II. Recommendations that have been accepted by Government.

III. Recommendations which the Committee do not desire to pursue in view of Government's replies.

5. An analysis of the Action Taken by Government on the recommendations contained in the Report of the Committee is given in Appendix. It would be observed therefrom that out of the total number of recommendations made in the Report 76 per cent have been accepted by Government. The Committee do not desire to pursue 24 per cent of the recommendations in view of the Government's replies.

NEW DELHI;
April 23, 1976
Vaisakha 3, 1897 (*S*).

NAWAL KISHORE SHARMA,
Chairman,
Committee on Public Undertakings.

CHAPTER-1

REPORT

This Report of the Committee deals with the action taken by Government on the recommendations contained in the Sixty-third Report (Fifth Lok Sabha) on National Textiles Corporation Ltd., which was presented to the Lok Sabha on the 25th April, 1975.

1.2. Action Taken Notes have been received from Government in respect of all the 46 recommendations contained in the said Report.

1.3. The Action Taken Notes on the recommendations of the Committee have been categorised as follows :—

(i) Recommendations/Observations that have been accepted by Government :

Serial Nos: 6, 11 to 14, 23 to 25, 27, 30 and 42.
43 to 46.

(ii) Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies:—

Serial Nos: 6, 11 to 14, 23 to 25, 27, 30 and 42.

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

A. MEASURES TO DETECT SICK UNITS

Recommendation Sl. No. 3 (Paragraph 2.19)

1.5. **The Committee were informed that though the statutory provisions provided for taking over the mills, which are lying closed for over 3 months, Government also considered the economic viability, the depreciated value of assets taken over, the number of workers employed and whether the articles manufactured subserve the national need and also about Government discharging responsibility for management. The Planning Commission had also appointed a Committee to suggest measures to help the Government to detect a unit before it became "sick" and that Committee made a recommendation that the financial institutions which come to know of the financial difficulties of such units, should inform the Government accordingly to enable Government to do something in advance. The Committee were informed that certain preventive steps were under the consideration of Government for taking over the mills including textile mills, which show signs of incipient sickness. The Committee recommended that the preventive measures proposed to be taken may be finalised and implemented expeditiously so as to obviate the danger of units becoming sick and, therefore, having to be closed thus creating a national loss.**

1.6. In reply, the Government stated—

"The matter is receiving attention in the Ministry of Industry & Civil Supplies. It is considered necessary to set up a proper information system which could provide reliable data about the performance in industrial units through the mechanism of obtaining production returns from such units, monitoring their performance through the financial institutions which are very much in the picture and also by securing intelligence from public Directors who may be on the Boards of Management of many of these units. A detailed strategy is being evolved for this purpose and it may call for administrative and legal changes. Ministry of Industry and Civil Supplies have already had some discussions in this matter with representatives of the institutions concerned and are engaged in devising a programme of action to deal with cases of incipient sickness sufficiently in advance to enable whatever action is necessary in each case, to be taken effectively and in time."

1.7. **The Committee note that a detailed strategy is being evolved by the Ministry to deal with cases of incipient sickness well in time and it may call for administrative and legal changes. The Committee reiterate that the scheme of action incorporating preventive measures to obviate the danger of units becoming sick may be finalised expeditiously and reported to Parliament at the earliest opportunity.**

B. IMPLEMENTATION OF MODERNISATION PROGRAMME

Recommendation Sl. No. 9 (Paragraph 4.12 & 4.13)

1.8. The Committee pointed out that though the Corporation had issued some guidelines to the mills and the mills have been asked to prepare their individual modernisation plans on the basis of these guidelines, the Corporation had not so far prepared a long term perspective programme of modernisation. The Committee desired that the Corporation should review the working/implementation of these guidelines in the interest of speedy implementation of modernisation programmes.

The Committee also recommended that, consistent with the demand for the varieties of cloth, both in the internal market and for exports the Corporation should so phase the modernisation programme as to ensure their completion within a period of two years so that such programmes result in improving the financial returns.

1.9. In reply, the Ministry stated—

"These recommendations were considered by the Board of Directors of National Textile Corporation and the Board approved the setting up of a group under the Chairmanship of Shri J. C. Jetli, Managing Director, National Textile Corporation, to work out a Corporate Plan for N.T.C. Preliminary work has already been taken in hand and a meeting of the group was also held under the Chairmanship of Managing Director. It is proposed to issue guidelines to the Subsidiaries to prepare the Corporate Plan at the Subsidiary/Mill level. After the Subsidiary/Mills have prepared their Corporate Plan, it will be dovetailed within the overall corporate plan of National Textile Corporation."*

1.10. The Committee note that Board of Directors of N.T.C. approved the setting up of a group to work out modernisation plan for NTC. Preliminary work has been taken in hand to prepare corporate Plan which would be dovetailed within the overall corporate plan of NTC. While reiterating their earlier recommendation, the Committee urge that the Government should speed up the modernisation programme so as to ensure that the scheme is completed within the stipulated period of two years.

C. PRODUCTION PLANNING—REDUCTION IN THE NUMBER OF VARIETIES

Recommendation Sl. No. 18 (Paragraph 6.16)

1.11. The Committee recommended that Government should see that the number of varieties produced by mills is restricted to the minimum."

1.12. In the reply, the Government stated—

"Detailed proforma was sent by the Textile Commissioner to all composite mills in order that they should file the number of varieties that they were producing at present as well as the number of looms they have, so that the Textile Commissioner could give them directives for reducing the number of varieties. The mills were given time limit up to 25th August, 1975 to file the returns."

---

*At the time of factual verification of the Report, the National Textile Corporation stated (on 15-4-1976) as under:—

"Guidelines have been issued to the Subsidiaries for the preparation of Corporate Plan and they have been asked to prepare draft plan by the end of April, 1976. For the preparation of the Corporate plan, a long term view up to the end of Sixth Plan will be taken and the whole plan will be broken down into two phases, the first phase of modernisation to be completed by the end of Fifth Plan i.e. by 1978-79 and the second phase to be completed by the end of Sixth Plan i.e. by 1983-84".

1.13. The Committee note that the mills were given time upto 25th August, 1975 to file their return regarding the number of varieties they were producing as well as the number of looms they had, the matter does not appear to have been finalised as yet. The Committee would like that a decision in regard to reduction of the number of varieties may be taken expeditiously.

D. PRICING OF PRODUCTS OF NTC MILLS

Recommendation Sl. No. 28 (Paragraph 7.7)

1.14. The Committee recommended that the Government/NTC should lay down suitable guidelines for fixing prices of products of NTC mills after taking into account all the relevant factors and introduce the Government in all the mills so that the mills could follow a uniform procedure in fixing the prices within the ambit of the guidelines.

1.15. The Ministry stated in the reply—

> "The prices of NTC products are determined by the market forces. Eighty per cent of the textile industry is in the private hands. This eighty per cent of the industry also is the better part of the textile industry in contrast to sick mills controlled by NTC. NTC products have to be sold in the market in keen competition with the products of these better mills. The price of NTC products is therefore, being controlled by these market forces. An attempt is being made to organise direct retailing with a view to eliminate middle men and to have a better price realisation and to gather market intelligence so as to have a more realistic pricing policy."*

1.16. The Committee are not satisfied with the reply given by Government. They would like to reiterate that suitable guidelines for fixing prices of products of N.T.C. Mills should be issued with-

---

*At the time of factual verification of the Report, the National Textile Corporation stated (on 15-4-1976) as under:—

> "After the introduction of accounting and costing manual in the mills w.e.f. 1-4-76, it is not proposed to link up the price of products of NTC Mills with the cost of production. Necessary action in this regard is being taken. Furt her beginning has already been made with the fixing of price of Janta Fabrics produced by NTC Mills. In this case, prices are stamped as for controlled cloth and does not increase by 20 per cent than the ex-mill price. The range of Janta Fabrics is being widened.
>
> The budget for the current year also envisages the stamping of maximum retail price on every metre of cloth produced by the mills. The N.T.C. Mills will follow the instructions to be issued in this regard by the Textie Commissioner".

out further delay and the mills should be asked to follow a uniform procedure for fixing prices of their product within the ambit of the guidelines.

E. LINKAGE OF WAGES TO PRODUCTIVITY

Recommendation Sl. No. 28 (Paragraph 7.9)

1.17. The Committee would like the NTC to take suitable measures to effect economies in the different elements of costs so that they may be within the levels of national average and the cost of end-product may also be economical. The Committee recommended that the Corporation should in particular take steps to bring down the costs of production by linking wages to productivity and reduce cost of cotton by effecting timely purchases at economic cost through the CCI.

1.18. In reply, the Government stated *inter alia* as follows:—

"With a view to affecting bulk purchase of cotton at economic cost, it has been decided to centralise the purchase of cotton at the Subsidiary level. Further to the extent possible the cotton is being purchased from public Sector/Cooperative Agencies like CCI and Maharashtra State Co-operative Marketing Federation. Terms of purchase are being finalised with the CCI. As a result of these measures there has already been some reduction in the mixing cost in some of the mills and further reduction is expected.

With regard to purchase of spares and parts, the Subsidiaries have been advised to consider advisibility of organising central stores for a group of mills where several mills are located in the same city.

As a result of the above measures, it is expected that NTC mills will be able to make purchases at economic prices.

The recommendation of the Committee to link wages to Productivity is being brought to the notice of the Bipartite Committee set up for the NTC for their consideration and guidance."

1.19. The Committee are informed that their recommendations to link wages to productivity is being brought to the notice of Bipartite

Committee set up by NTC for their consideration and guidance. They expect that a decision in this regard will be taken soon.

F. MAINTENANCE OF ACCOUNTS ETC. BY MILLS UNDER N.T.C; FOR THE PERIOD BEFORE TAKEN OVER

Recommendation Sl. No. 37 (Paragraph 10.16)

1.20. The Committee were constrained to note that at the time of take-over of the mills, in most of the cases the accounts had not been prepared for a number of years and even in cases the accounts had been prepared, the balance sheets were not available. The Committee were not sure whether any action had been taken against such defaulting mills for this sad state of affairs. The Committee would like to be informed of the action taken to reconstruct these accounts at least now with a view to ascertaining the correct financial position of the mills so that the Corporation might take suitable remedial action to improve the financial position.

1.21. In reply, the Ministry stated—

"The 103 nationalised textile mills were taken over, at different times and in different circumstances. Before they were nationalised with effect from 1.4. 74, the mills were managed by different bodies in some cases by Authorised Controllers appointed by Government of India directly, and in some cases by the State Textile Corporations and National Textile Corporation. The maintenance of accounts and preparation of balance-sheets during the period before take over devolved on the previous managements. It would be exceedingly difficult at this stage for the NTC to go into the question whether the accounts had been maintained properly or not, more so to reconstruct the accounts. Nevertheless the Department of Company Affairs has been addressed in the matter so that they can get the exact position verified from the Registrar of Companies who is primarily responsible for ensuring maintenance of accounts by industrial units."

1.22. The Committee note that the Department of Company Affairs has been approached by the administrative Ministry with regard to the maintenance of accounts and preparation of balance sheets by mills for the period before their take-over, so that they could get the exact position varified from the Registrar of Com-

panies. The Committee would like that the developments in this regard should be reported to Parliament.

G. LABOUR PARTICIPATION IN MANAGEMENT

Recommendation Sl. No. 46 (Paragraph 12.9)

1.23. The Committee noted that by and large there was no active participation of workers in the management of the mills though Government agreed during evidence that they wanted the Co-operation of all the workers and that the participation of workers in management was a desirable thing. The Committee were informed that in some mills workers were associated at shop level but there was no association of workers at the Board level.

The Committee also recommended that there should be a system of built-in incentives in the wage structure so as to increase the productivity of workers under the NTC. The Committee emphasised the importance of investment in human beings whenever any programme of modernisation was undertaken.

1.24. The Ministry stated in the reply—

"A National Bi-partite Body for National Textile Corporation Limited has been set up, recently. The Chairman NTC, Managing Director NTC and Chairman-*cum*-Managing Directors of 9 Subsidiary Corporations are the representatives of the employers. The workers are represented by I.N.T.U.C., A.I.T.U.C., and H.M.S. Organisations. The main fuctions of National Bi-partite Body are to sort out problems relating to the Industrial relations and to ensure higher production, productivity, quality control and fuller utilisation of the capacity in units under the control of National Textile Corporation and its subsidiary corporations.

The Joint Bi-partite Committees are being set up at the subsidiary level which will play a watch-dog role besides the following functions:—

(1) To ensure higher production, productivity and quality control and fuller utilisation of capacity in the Units;

(2) Matters relating to planning and achieving products targets;

(3) Development of skills of workman and adequate facilities for training;

(4) Awarding of rewards for valuable and creative suggestions received from workers;

(5) Optimum use of raw materials and quality of finished products;

(6) General Health, Welfare and safety measures; and

(7) Ensuring that the working of the mills in all its aspects is on satisfactory lines.

After gaining experience of the working of the National Bi-partite Body and Joint Bi-partite Committees, proposal to set-up shop floor level Bi-partite Committees will be considered.

One representative of workers on each of the Board of National Textile Corporation (South Maharashtra) Ltd., National Textile Corporation (North Maharashtra) Ltd. is already functioning.

As regards the introduction of the system of built-in incentive on the wage structure, the matter is still under examination."

1.25. The Committee note that the National Bi-partite Body for N.T.C. has been set up and joint Bi-partite Committees at the subsidiary level are being set up to play the watch-dog role about the participation of workers in the management of the mills. The Committee are also informed that after gaining experience of working of these bodies, the proposal to set up shop floor level Bi-partite Committees would be considered. The Committee would like to reiterate that Corporation should set an example as a model employer by creating a feeling of belonging amongst workers of NTC mills and representatives of workers should be given representation in management at all levels.

1.26. The Committee also note that the system of built-in-incentive on the wage structure, is still under consideration. The Committee would like that a decision in this regard may be taken quickly in the interest of increased productivity.

CHAPTER II

RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation Serial No. 1 (Paragraph 2.6)

The Committee note that the National Textile Corporation was originally set up with the main objective of managing the affairs of sick textile undertakings taken over by the Government, rehabilitate, modernise and expand them and also to set up new mills, subject to availability of resources. The Committee were informed that the National Textile Corporation had been, by and large, fulfilling the objectives for which it was set up, except that it has not yet set up any export-oriented mills because of its pre-occupation with the work of rehabilitation and modernisation of the mills taken over by Government and since nationalised. The representatives of the NTC and the Government brought to the notice of the Committee various constraints like labour liabilities, financial constraints and also difficulty in availability of textile machinery under which the Corporation had been working. The Committee have dealt with these constraints in the succeeding chapters under relevant heads.

Reply of Government

Attention is invited to the reply of the Government in respect of paragraph 10.18 of Recommendation No. 39, which explains the position in regard to action being taken about rationalisation of labour. Action being taken to overcome financial difficulties is explained in the reply of the Government in respect of paragraph 6.51 of Recommendation No. 25. Reply of Government in respect of paragraph 4.32 of the Recommendation No. 11 explains the position in regard to the availability of textile machinery.

[Ministry of Commerce U.O. No. 54012/2(vi)/75-NTC dated 27-2-76]

Recommendation Serial No. 1, (Paragraph 2.7)

The Committee note that consequent on the enactment of the Sick Textile Undertakings (Nationalisation) Act, 1974, the preamble

109 LS—2.

of the Act enjoins upon the National Textile Corporation to reorganise and rehabilitate sick textile undertakings acquired by Government and transferred to it for management so as to subserve the interests of the general public by the augmentation of the production and distribution at fair prices, of different varieties of cloth and yarn and for matters connected therewith or incidental thereto. The Committee have given their recommendations in regard to the achievements of these objectives in the relevant chapters of the report.

Reply of Government

Reply of Government in respect of paragraph 6.46 of Recommendation No. 23 and paragraphs 6.47 and 6.48 of Recommendation No. 24 explains the measures which are being taken to step up the production.

Reply of Government in respect of paragraph 2.10 of Recommendation No. 2 explains the action which is being taken to make available cloth to consumers at fair prices.

[Ministry of Commerce U.O. No. 54012/2(vi)/75-NTC, dated 27-2-76]

Recommendation Sl. No. 1, (Paragraphs 2.8 and 2.9)

The Committee were informed that though the objectives of the NTC stand modified, to some extent, in the light of the Preamble to the Sick Textile Undertakings (Nationalisation) Act 1974, the aims and objectives described in the Memorandum and Articles of Association of the NTC, as originally framed, being wide enough, there is no necessity to make any modification in the Memorandum of Association of the Corporation as such. However, it was stated that the Corporation is examining the changes which may be necessary in the Articles of Association in regard to the delegation of powers and the Corporation will be approaching Government in this regard.

The Committee would like that the Corporation/Government should complete this work early so that the Corporation is clear about its objectives and power under the new set up and is not handicapped in any way in the discharge of its responsibilities.

Reply of Government

The Corporation has examined the delegation of powers and various Articles of Associations. It is felt that these are adequate at present for discharging responsibilities imposed on the Corporation by the nationalisation of these units. In view of this no changes are contemplated for the present.

[Ministry of Commerce U.O. No. 54012/2(vi)/75-NTC, dated the 7th January, 1976]

Recommendation Sl. No. 2, (Paragraph 2.10)

The Committee need hardly stress that as enjoined in that preamble to the Nationalisation Act, the Corporation should ensure that cloth is made available to the consumer at fair price.

Reply of Government

Keeping in view the need to make available cloth at fair prices to the consumers, the N.T.C. is organising depots and retail outlets in different parts of the country. Besides the 240 retail outlets at present operated by various NTC mills, NTC have so far opened multimill retail outlets in big cities and towns where cloth of all the nationalised mills is available under one roof. It is proposed to open 500 such retail outlets in the country by the end of 1976-77.

In addition NTC have tried to link up Civil Supplies Corporations of the State Governments and outlets in co-operative sectors with their depots. The net work of these organisations is also being utilised to reach N.T.C. products to the consumer at fair prices.

[Ministry of Commerce U.O. No. 54012/2(vi)/75-NTC, dated 30-1-1976]

Recommendation Serial No. 2, (Paragraph 2.11)

The Committee would like to emphasise that the nationalisation of 103 textile mills has been one of the major steps towards the realisation of social purposes underlying the objectives and the Directive Principles of State Policy enshrined in the Constitution. They would like the NTC to bear in mind its social responsibility and so work as to achieve the social purposiveness of our Constitution.

Reply of Government

NTC is conscious of its social responsibility, and is trying in its modest way to achieve the social purposiveness of our Constitution.

[Ministry of Commerce U.O. No. 54012/2(vi)/75-NTC, dated 9-1-1976].

Recommendation Serial No. 3, (Paragraphs 2.18 and 2.19)

The Committee note that the take-over of the management of a mill is authorised under Sections 18A, 18AA and 18FA of the Industries (Development and Regulation) Act, 1951. While Sections 18A and 18FA require an investigation to precede the take over, Section 18AA provides that a mill, which has been lying closed for three months or more, can be taken over without an investigation, provided certain other conditions laid down in the Act are also fulfilled. The requirement that a mill must close down and remain closed for at least three months may, in addition to loss of production and loss of revenue to the State, give rise to handicaps in the matter of subsequent working of the mill, cause unemployment and give a jolt to the economy of the unit. The Committee note that taking this into consideration, the High Powered Committee on NTC, in their Report, had suggested that a company intending to close down its operations be required to give a notice of 60 days and that the Government may be authorised to take over the management during the notice period itself.

The Committee are informed that though the statutory provisions provide for taking over the mills, which are lying closed for over 3 months, Government also considered the economic viability, the depreciated value of assets taken over, the number of workers employed and whether the articles manufactured subserve the national need and also about Government discharging responsibility for management. The Planning Commission had also appointed a Committee to suggest measures to help the Government to detect a unit before it became "sick" and that Committee made a recommendation that the financial institutions which come to know of the financial difficulties of such units, should inform the Government accordingly to enable Government to do something in advance. The Committee are also informed that certain preventive steps are under the consideration of Government in regard to such units, including textile mills, which show signs of incipient sickness. The

Committee recommend that the preventive measures proposed to be taken may be finalised and implemented expeditiously so as to obviate the danger of units becoming sick and, therefore, having to be closed thus creating a national loss.

Reply of Government

The matter is receiving attention in the Ministry of Industry & Civil Supplies. It is considered necessary to set up a proper information system which could provide reliable data about the performance of industrial units through the mechanism of obtaining production returns from such units, monitoring their performance through the financial institutions which are very much in the picture and also by securing "intelligence" from public Directors who may be on the Boards of Management of many of these units. A detailed strategy is being evolved for this purpose and it may call for administrative and legal changes. Ministry of Industry and Civil Supplies have already had some discussions in this matter with representatives of the institutions concerned and are engaged in devising a programme of action to deal with cases of incipient sickness sufficient in advance to enable whatever action is necessary in each case, to be taken effectively and in time.

[Ministry of Commerce U.O. No. 54012/2(vi)/75-NTC, dated 2-2-1976 and 27-2-1976].

Comments of Committee

Please see paragraphs 1.5 to 1.7 of Chapter I of the Report.

Recommendation Serial No. 4, (Paragraph 3.21)

The Committee note that the Board of Directors of the National Textile Corporation comprises a Part-time Chairman, Managing Director, a Director (Technical), a Director (Finance) and three Part-time Directors. The Committee also note that apart from the part-time Chairman, who has a background of long experience in the textile industry, there is only one Technical Director in the Board of Directors, Managing Director, and three part-time Directors are from the services. The Committee feel that with the nationalisation of 103 mills of various sizes, spread more or less throughout the country, the Corporation should examine the possibility of associating more full-time functional technical directors with the Board so that various aspects of the working of the Corporation are looked after adequately by the Board. The functional Directors of NTC should also maintain links with their counterparts in the operating subsidiary corporations through the Chairman/ Managing Director of the subsidiary corporation. The Committee need hardly stress that the Management will be judged by their ability to make the units viable and generate resources for future development programmes and also to make available cloth at cheaper rates. The Committee also expect the Management to ensure that the Mills taken over by them do not become sick again.

Reply of Government

There are at present three posts of whole time functional Directors besides the Managing Director sanctioned for N.T.C. Out of these, two functional-Technical Directors are in position and steps are being taken to fill the third vacant post.

The functional Directors of N.T.C. maintain links with their counterparts in the operating subsidiary Corporations. Functional Directors of N.T.C. take active part in the quarterly conferences of Chairman and Managing Directors of the subsidiary Corporations. The functional Directors also organise conferences of functional Directors of subsidiary Corporations in their respective fields to discuss common technical or financial problems. Besides this, the functional Directors also visit mills and subsidiary Corporations to deal with specific problems and their implementation is periodically being reviewed.

Every effort is being made to make the units economically viable. Modernisation programmes have been drawn up for various mills and these are being implemented. The objective is to see that viable working of the units is achieved in as short a period as possible and that no unit that has been taken over becomes 'Sick'.

[Ministry of Commerce U.O. No. 54012/2(vi)/75-NTC, dated 9-1-1976].

Recommendation Serial No. 5 (Paragraph 3.22)

The Committee note that at the time setting up of the National Textile Corporation in April, 1968, there were 16 mills taken over by the Government. By October, 1972, the number of mills taken over by the Government had increased to 103. Out of the 193 mills, 34 mills were under the direct management of the Corporation, in its capacity as the Authorised Controller/Custodian. 63 Mills were under the management of the six State Textile Corporations set up in the States of Gujarat, Kerala, Madhya Pradesh, Maharashtra, Tamil Nadu and Uttar Pradesh or other Authorised Controllers. Physical possession of six mills had not been taken over at that time due to Court cases. In order to have a close and direct control and supervision over these mills in general and the NTC controlled mills in particular, the NTC set up four Regional Offices at Calcutta, Bombay, Bangalore and Chandigarh to look after the work in Eastern, Western, Southern and Northern zones of the country respectively. Later on the Chandigarh Regional Office was shifted to headquarters of the Corporation at Delhi and continued to function as Northern Regional Cell.

Reply of Government

Physical possession of one more mill has since been taken over. Position in respect of the remaining five remains unchanged.*

[Ministry of Commerce U.O. No. 54012/2(vi)/75-NTC, dated 27-2-76].

Recommendation Serial No. 5 (Paragraph 3.23)

The Committee note that the 103 sick mills which have now been nationalised have been divided into nine groups and their management has been entrusted to nine regional subsidiary corporations of the NTC. NTC would now be an apex body playing a co-ordinating and supervisory role and the subsidiary corporations would be the profit centres having considerable autonomy in their functioning. NTC would have 51 per cent shares in the subsidiary corporations as a holding company, and the State Government concerned would have the option to contribute upto 49 per cent of the equity capital. The Board of Directors of the subsidiary corporation will consist of the Chairman-cum-Managing Director to be appointed by the NTC in consultation with the State Government concerned, and part-time Directors representing NTC and the State Government in proportion to their contribution in the equity capital of the subsidiary corporation. The State Government will appoint whole-time functional Directors and, as such, it will be fully associated in the management of the subsidiary corporation.

Reply of Government

Steps have been taken to constitute the Board of Directors of Subsidiary Corporations. Government's replies in respect of rele-

---

*At the time of factual verification of the Report the National Textile Corporation stated that the Corporation has since then taken over possession of 3 more mills. Thus possession in respect of only 2 mills is still to be taken over.

vant recommendations in paras 3.24 and 3.25 under this Serial No. may kindly be seen.

[Ministry of Commerce U.O. No. 54012/2(vi)/75-NTC, dt. 27-2-76].

Recommendation Serial No. 5 (Paragraph 3,24)

The Committee find that the re-organised set up is a new experiment in the field of management inasmuchas the subsidiary corporations will be composite bodies, with share capital up to 49 per cent held by the State Governments and having whole time functional Directors appointed by the State Governments. The Committee recommend that no time may be lost in studying the detailed requirements of the new structure and adequate provisions made in the charters of the apex body and the subsidiaries and suitable guidelines evolved to ensure smooth functioning of the organisation as a whole. The Committee have no doubt that while appointing Chief Executives, the technical background of the persons will be kept in view so that they can provide real leadership not only in management but in technical fields also.

Reply of Government

The functions and activities of the National Textile Corporation and its subsidiaries are clearly spelt out and guided by their respective articles of associations. No difficulty has been experienced in smooth working of these bodies. The subsidiaries enjoy adequate autonomy and discretion in carrying out their respective functions. The NTC plays a coordinating role, apart from performing policy making and supervisory functions in respect of management of the nationalised mills.

As regards appointments of Chief Executives, the requirements of technical qualifications and experience are kept in view. The Board of Directors of the NTC has constituted Selection Committees at the NTC level and at the level of subsidiaries, which ensure that only right type of people are appointed. Already at unit level, the majority of the chief executives are persons with technical background and with adequate experience in the field of managing textile mills.

[Ministry of Commerce U.O. No. 54012/2(vi)/75-NTC, dated 9-1-76].

Recommendation Serial No. 7 (Paragraph 3.30)

The Committee note that in the context of nationalisation of 103 textile mills it has been considered desirable by NTC to streamline the Management Information System at the mill level, subsidiary level and the apex level and a study to this effect had been entrusted to the National Productivity Council in January, 1974. The Committee were informed that the NTC has submitted the draft report which is under study by the Corporation. The Committee fail to understand as to why such a system, which is of crucial importance in the management function, has not been introduced so far. The Committee recommend that the study of the report should be concluded expeditiously and a Management Information System, suitable for the new set up, should be introduced early.

Reply of Government

The Final Report of the National Productivity Council about the introduction of the Management Information System in the National Textile Corporation has been received and the same has been examined. A copy of the report of the Council has already been forwarded to the subsidiaries.

Keeping in view the requirements of the apex body and subsidiary corporations, the Techno-Economic Wing of the National Textile Corporation has designed a comprehensive proforma for getting the monthly review of the mills. Based on the information thus obtained critical reviews are being carried out to assess the performance of the various units and feed back the results of such review to the subsidiaries to enable them to take corrective action wherever necessary.

[Ministry of Commerce U.O. No. 54012/2(vi)/75-NTC, dated 30-12-75].

Recommendation Serial No. 8 (Paragraphs 3.31 and 3.32)

The Committee find that at present the responsibility for planning and development of the textile industry is with the Ministry of Commerce while the administrative responsibility for running the NTC, as a public sector undertaking, is with the Ministry of Industry and Civil Supplies. The Committee are informed that so far as practical working is concerned, there is no difficulty in this arrangement as the Ministry of Commerce is in close touch with the Ministry of Industry and Civil Supplies and consults it in all important matters relating to textile industry. The Committee are inclined to agree with the recommendation of the Action Committee that NTC may be more conveniently positioned under the Ministry of Commerce.

The Committee, therefore, feel that it will make for better coordination, lesser inter-Ministerial references and quicker decisions if all matters relating to the textile industry (including NTC) are dealt with under one Ministry.

Reply of Government

The administration responsibility of running the NTC has since been transferred to the Ministry of Commerce.

[Ministry of Commerce U.O. No. 54012/2(vi)/75-NTC, dt. 24-12-75]

Recommendation Serial No. 9 (Paragraph 4.10 and 4.11)

The Committee note that a total of 103 sick mills have been taken over by Government. The Corporation has taken possession of 98 mills and possession of the remaining 5 mills has not yet been taken due to stay orders issued by the Courts. Modernisation programmes in respect of 82 mills, involving an outlay of Rs. 9.29 crores, have been approved by the Corporation till 31st December, 1974, and modernisation programmes in respect of 7 mills have been formulated and are under examination. Keeping in view the conditions of existing machinery and future requirements, the medernisation programmes of the remaining mills are being worked out.

The Committee understand that the modernisation plans have been conceived in two phases. The first phase of renovation and replacement of useless spindles, etc. is under implementation and has so far been completed in 8 mills and in terms of both production and exports the first phase of modernisation has paid dividends. The Committee are also informed that in preparing modernisation programmes, the Corporation gave weightage to the following considerations before evolving a rational policy—(i) to start the existing machinery; (ii) balancing of machines between spinning and weaving; (iii) reduction of cost with a view to improve the profitability of the mills; (iv) need for improving the quality of product; and (v) the need to maximise exports.

Reply of Government

The position has been explained in the reply of the Government in respect of paragraphs 4.12 and 4.13 under Recommendation No. 9, and paragraph 10.17 of Recommendation No. 38.

[Ministry of Commerce U.O. No. 54012/2(vi)/75-NTC, dt. 27-2-76]

Recommendation Serial Nos. 9 and 10 (Paragraphs 4.12 to 4.14)

The Committee regret to point out that though the Corporation had issued some guidelines to the mills and the mills have been asked to prepare their individual modernisation plans on the basis of these guidelines, the Corporation had not so far prepared a long term perspective programme of modernisation. The Committee would like that the Corporation should review the working/implementation of these guidelines in the interest of speedy implementation of modernisation programmes.

The Committee recommend that the Corporation, keeping in view the financial resources and the suggestions made by the High-Powered Committee, should determine the *inter-se* priorities for the renovation/modernisation of the mills and draw up a perspective plan for modernisation of the mills and ensure that Investment decisions are related to the benefits/returns expected of them, pay-back periods etc. as revealed by the programme. The Committee need hardly stress that the plan of modernisation should be flexible so as to meet not only the immediate needs of cloth and yarn but also take long term view of the demands of sophisticated man-made synthetic fibres and woollens, and it should be ensured that the machinery installed do not become out of date, say in the next 10 years or so. The Committee also recommend that, consistent with the demand for the varieties of cloth, both in the internal market and for exports the Corporation should so phase the modernisation programme as to ensure their completion within a period of two years so that such programmes result in improving the financial returns.

The Committee are informed that during the fifth five-year plan, the Corporation has a scheme of expansion of 41 units which are having less than 25,000 spindles. The Corporation has, out of those 41 mills, obtained 15 licences and 18 of them are pending with the Government. The Committee are also informed that in the spinning units there are about 10 units, which are having spindles of less than 10,000. These are the first category of non-viable units. The Committee recommend that the Corporation should give priority to these 10 units which at present have less than 10,000 spindles to raise them to the level of viable position of 25,000 spindles and only thereafter consider expansion of these units, the licences for which the Committee regret to note are pending with Government. The Committee also recommend that Government should ensure that the licences, which are pending with them are cleared without delay in the interest of speedy implementation of modernisation programmes. The Committee also suggest that in drawing up and implementing the modernisation programmes, the Corporation might perhaps make use of the experience of rehabilitation of the Textile Industry in the United Kingdom.

Reply of Government

These recommendations were considered by the Board of Directors of National Textile Corporation and the Board approved the setting up of group under the Chairmanship of Shri J. C. Jetli, Managing Director, National Textile Corporation, to work out a Corporate Plan for NTC. Preliminary work has already been taken in hand and a meeting of the group was also held under the Chairmanship of Managing Director. It is proposed to issue guidelines to the Subsidiaries to prepare the Corporate Plan at the Subsidiary/Mill level. After the Subsidiary/Mills have prepared their Corporate Plan, it will be dovetailed within the overall corporate plan of National Textile Corporation.

As regards licences for expansion, cotton spinning has since been delicensed and no licences are now required to effect expansion in the spinning units under the NTC.

[Ministry of Commerce U.O. No. 54012/2(vi)/75-NTC, dated 30-12-75]

Comments of Committee

Please see paragraphs 1.8 to 1.10 of Chapter I of the Report.

Recommendation Serial No. 15 (Paragraphs 5.20 and 5.22)

The Committee regret to note that though according to the guidelines given by Government, the NTC was to purchase cotton from the Cotton Corporation of India and one of the objectives of CCI was to purchase cotton for the public sector mills, the NTC had not, till last year, been able to buy their full requirement of cotton from the CCI. The Committee also note that the estimated consumption of cotton by the 103 NTC mills would be of the order of 14 lakh bales per annum. According to NTC, the CCI's present level of operations of procuring only 3 lakh bales can be considered as insignificant compared to the production of 65 lakh bales in the country to have any impact on the prices. Though the NTC would like to purchase the entire requirements from CCI, the latter is not in a position to supply the entire quantity of NTC mills. Further the commercial practices followed by CCI acted as deterrent to such an arrangement, because CCI insisted on full payment not for supply at the mill gate but at the point where they purchased the cotton and this was not possible for the sick mills under the NTC management. Besides, the CCI was not agreeable to give many other facilities to NTC mills which the private suppliers were able to offer. According to NTC, if they have to rely more and more on CCI for procuring the cotton required by them, the CCI would have to increase the scale of operations as to cover at least a third of total production in the country. The NTC's primary responsibility was to get adequate cotton at the right time and at the right place.

The Committee note that the Managing Director of the NTC has recently been appointed as a Director on the Board of Directors of CCI. The Committee hope that this arrangement will help in establishing a close liaison and corporation between the two public sector organisations at the highest level.

Reply of Government

Attention is requested to the replies of Government in respect of paragraph 5.21 of Recommendation No. 15 and paragraph 5.23 of Recommendation No. 16, which explain the position.

[Ministry of Commerce U.O. No. 54012/2(vi)/75-NTC, dt. 27-2-76].

Recommendation Serial Nos. 15 and 16 (Paragraph Nos. 5.21 and 5.23)

The Committee feel that it was unfortunate that the two public sector undertakings could not appreciate each other's difficulties and arrive at mutually agreeable terms and conditions of supply of cotton. The Committee note that it was only in January, 1975, after the examination of the two Corporations by the Committee on Public Undertakings, that the two undertakings have reached an agreement on the terms and conditions of purchase of cotton and the NTC has now placed an indent for 2 lakh bales out of the 14 lakh bales which it requires for all its mills and it would increase the quantity to be purchased from CCI gradually. The Committee hope that there would be better coordination between the two undertakings and the NTC will gradually increase its purcases of cotton through CCI and the CCI will also be able to fulfil its objective of supplying cotton to Government managed mills.

Reply of Government

The Committee have in their report on CCI, pointed out that the major constraint in the way of CCI entering the market in a big way was lack of adequate finance and, therefore, Government should assist the CCI in getting adequate finance. The Committee would recommend that the Government should also arrange for improved finances for NTC so that the NTC may be in a position to subserve its interests in procuring cotton at the right time and at economic cost from the CCI.

Reply of Government

It has been decided that NTC will purchase a part of its cotton requirements from CCI. We have approached the Department of Banking for the additional credit requirements of CCI for making these purchases.

[Ministry of Commerce U.O. No. 54012/2(v)/75-NTC, dt. 24-12-75].

Recommendation Serial No. 17 (Paragraph 5.24)

While the Committee feel that it is not considered advisable to merge the two undertakings or to make one the subsidiary of the other, as the two have different functions to perform, they agree, as admitted by Secretary of the Department of Industry and Civil Supplies, that the two must cooperate with each other. The Committee have expressed their views in paras 3.31 and 3.32 of this Report on placing the NTC and CCI under the administrative control of one Ministry which deals with all other matters relating to textile industry. The Committee would like Government to consider the feasibility of this arrangement and take an early decision in the larger interests of functioning of the two Corporations.

Reply of Government

As pointed out in reply to paragraphs 3.31 and 3.32, the NTC has since 2nd August, 1975 been transferred to the Ministry of Commerce, NTC and CCI are now both under the administrative control of the Ministry of Commerce.

[Ministry of Commerce U.O. No. 54012/2(v)/75-NTC, dt. 24-12-75].

Recommendation Serial No. 18 (Para Gragraph 6.15)

The Committee note that as against over one thousand varieties of cloth being produced in India, the NTC mills were producing only 45 varieties. The Committee were informed that it did not necessarily lead to improved efficiency if the number of varieties in a mill was reduced beyond a certain point. The Committee also note that some mills in private sector were earning more profit by producing more fine varieties but the NTC Mills could not do so because of certain technical constraints like the condition of the plant and equipments. Because of these constraints, 87 per cent of the total production of NTC mills consisted of medium 'A' and medium'B' varieties and only

13 per cent consisted of higher varieties. The Committee note that the NTC are undertaking modernisation programme with the objectives: first of cost reduction, second of quality improvement and the third of diversification of production.

Reply of Government

Reply of Government in respect of paragraph 10.17 of Recommendation serial No. 38 explains the position.

[Ministry of Commerce U.O. No. 54012/2(vi)/75-NTC, dt. 27-2-76].

Recommendation Serial No. 18 (Paragraph 6.16)

"The Committee recommended that Government should see restricted to minimum.". The Committee are also informed that Government have not gone into the working of each of the mills nor conducted any survey with a view to reduce the number of varieties of cloth to cater to the needs of the common man, although there seems to be a thinking about the gradual reduction of varieties over the whole range of textile industry over a period and certain guidelines have been prepared in this regard. The Committee recommend that Government should see that the number of varieties is restricted to the minimum. The Committee also recommend that the Ministry/Corporation should undertake a quick survey of the varieties popularly in demand by the public at large in the regions, through the sale points and the subsidiaries and determine the product-mix and the number and type of varieties most appropriate to each mill, so that the mills are in a position to produce such popular varieties efficiently and economically and cater better to the needs of the common consumer.

Reply of Government

As per the recommendations of the Committee on Public Undertakings on National Textile Corporation Ltd., detailed proforma was sent by the Textile Commissioner to all composite mills in order that they should file the number of varieties that they were producing at present as well as the number of looms they have, so that the Textile Commissioner could give them directives for reducing the number of varieties. The mills were given time limit up to 25th August 1975 to file the returns.

[Ministry of Commerce U.O. No. 54012/2(v)/75-NTC, dated 24-12-1975]

Comments of Committee

Please see paragraphs 1.11 to 1.13 of Chapter I of the Report

Recommendation Serial Nos. 19 & 20 (Paragraphs 6.35 and 6.37)

The Committee note that Government made it obligatory on the part of Textile Industry to produce 400 million sq. metres of controlled cloth from June, 1971 and export 16 per cent of their products since 1st January, 1973. With effect from 1st April, 1974, the controlled cloth obligation was increased to 800 million sq. metres and export continued to remain at 16 per cent. The penalty of Rs. 2.50 per metre was prescribed for non-fulfilment of the obligation to produce a minimum of 24 per cent of the output in the controlled categories of cloth. The penalty rate for non-fulfilment of export obligation was kept at 30 paise per sq. metre. Inter-mill transfer of obligation in respect of exports and controlled cloth was, however, allowed. A set-off of one metre of controlled cloth for every 3 metres of exports over and above the mill's obligation of 16 per cent was allowed. The scheme was further revised with effect from 1st October, 1974 and combined obligation of 30 per cent and a penalty of Rs. 2.50 per sq. metre for non-fulfilment has been imposed on the textile industry with reference to the controlled cloth production and exports. The NTC have pointed out that as the machinery in the sick mills was quite obsolete, it was hardly possible for those mills to produce good quality cloth for exports and the policy had resulted in the weaker mills fulfilling an important social obligation of production of controlled cloth at a loss and the exporting mills escaping this obligation and making profits on exports. The Committee note that the NTC mills have by and large, fulfilled their obligation of controlled cloth. The Committee understand that the Corporation has already approached Government to treat the mills of NTC as one unit for fulfilling export and controlled cloth obligations. The Committee are informed that the Textile Commissioner has no objection to this in principle. The Committee would like Government to give a decision in this behalf quickly. The Committee are informed that the Corporation suffered a loss of Rs. 1.25 per sq. metre of controlled cloth produced till 1973-74. The Corporation produced 90 million metres and consequently lost more than Rs. 11 crores. The Corporation estimated the loss to be Rs. 14 crores when the quantum was doubled in 1974. This has increased on account of the changes made with effect from 1st April, 1974 when the Corporation produced 27 per cent controlled cloth and 3 per cent for export. The loss for the year was expected to be Rs. 19 crores. The Committee are informed that the Corporation has suggested to Government that the obligation of controlled cloth should be delinked from the export obligation and Government may impose a cess on the superfine and fine varieties of cloth which is being used by affluent sections and subsidise the mills for production of controlled cloth. The Corporation has also pointed out to Government that because of the set-off of one metre of controlled cloth for every three metres of exports and the export performance adjustment of Rs. 5 FOB value and the inter-mill transfer of obligation, the burden on the Corporation on the production of controlled cloth has increased to the extent of shortfall in production of controlled cloth by the exporting mills as it has to produce another 5 per cent controlled cloth even though it has fulfilled its own obligation of 30 per cent. In other words the Corporation has been indirectly financing the incentive which is given to the exporting mills and incurring more losses. It has also been admitted by the Ministry that unfortunately for the NTC, after producing controlled cloth, what is left is not much for making higher profits and that is why it is hitting the NTC somewhat unequally. The Committee are also informed that the penalty rate having become Rs. 2.50 per metre uniformally for non-fulfilment of export/controlled cloth obligations, the NTC has to incur a further loss in having to pay penalty in excess of 30 paise originally fixed even after partially meeting the loss to some extent by the manufacture of controlled cloth on behalf of exporting mills. The Committee find that the Ministry has not taken a decision about delinking the two obligations. The Committee recommend that as the Corporation is already saddled with the responsibility of converting the sick mills into viable units and has to meet the social needs, Government should consider the questions of delinking the controlled cloth obligation from exports and of levying different rates of penalties for failure to meet controlled cloth and export obligations. The Committee further recommend that Government should also examine the question of imposing a cess on the fine and superfine varieties of cloth, as suggested by the Corporation, so that the weaker sections of the Society are not hardly hit.

The Committee recommend that since it will be difficult for the NTC mills to fulfil their export obligation completely because of the obsolete and outdated machinery and the long neglect they suffered when in the private sector, Government may consider exempting the NTC mills from the export obligation till such time as they are modernised and are in a position to manufacture the export varieties.

Reply of Government

The combined obligation for production of controlled cloth of exports was discontinued with effect from 1-7-1975.

2. NTC mills are now not under any compulsion to produce cloth for export.

3. The suggestion regarding imposing cess on fine and superfine varieties of cloth is being examined.

[Ministry of Commerce U.O. No. 54012/2(v)/75-NTC, dated 24-12-1975]

Further Reply of Government

The suggestion regarding imposing cess on fine and superfine varieties of cloth was examined by Government and it was not found advisable to impose such a cess.

[Ministry of Commerce U.O. No. 54012/2 (vi)/75-NTC dated 14-4-76]

Recommendation Serial No. 20 (Paragraph 6.36)

The Committee note that as against the requirements of long cloth and shirting to the extent of 25 per cent of production, the actual percentage of production in the industry has been of the order of 78.7 per cent and 12.8 per cent respectively, in the case of sarees and dhoties against the requirement of 20 per cent the percentage of production has been 2.7 per cent and 6.3 per cent and in the case of drill against the requirement of 10 per cent the production was a meagre 0.3 per cent. The Committee are concerned to note that while production is predominently in long cloth, the requirements of dhoties and sarees and drill have not been met. The Committee note that the Textile Commissioner has issued orders on 10th January, 1975 indicating the specifications for controlled dhoties, long cloth and sarees. Since the textile industry has got a capacity of only 186 million sq. metres against the requirement of 320 million sq. metres of controlled sarees and dhoties in a year, the Textile Commissioner has also issued orders that 20 per cent of controlled cloth obligation viz. 160 million sq. metres should be reserved for production of sarees and dhoties. The Committee stress that Government should ensure that the orders of Textile Commissioner are implemented so that sarees and dhoties for use of common man become available in adequate quantities and deterrent action is taken against the defaulting mills. The Committee are informed that Government of India are already exploring the possibility of obtaining the balance requirements from the decentralised sector. The Committee would like the NTC to give a lead by meeting not only in overall terms the obligation for controlled cloth but also producing the prescribed quantities of sarees, dhoties and drills etc. which are required by common people.

Reply of Government

With effect from 1st January 1975 every composite Mills is required to produce a quantity of dhoty and saree not less than 20 per cent of the obligation fixed. The mills can fulfil the obligation fixed for dhoties and sarees. As a consequence, the production of dhoties and sarees during January/March 1975 has gone up to 68.48 million sq. metres as against 39.74 million sq. mts. during October/December 1974.

[Ministry of Commerce U.O. No. 54012/2(v)/75-NTC, dated 24-12-1975]

Recommendation Serial No. 22 (Paragraph 6.38)

The Committee also recommended that Government should also give a special report to Parliament on the implementation of the Controlled Cloth Scheme, especially in regard to the production of sarees, dhoties and drill which are required by the common man.

Reply of Government

Noted for compliance.

[Ministry of Commerce U.O. No. 54012/2(v)/75-NTC, dated 24-12-1975]

Recommendation Serial No. 26 (Paragraph 6.56)

The Committee note that whole the ratio of output of yarn related to the consumption of cotton in the industry is 0.85 to 0.86, in the NTC mills it is 0.81 to 0.82 thus indicating that the yarn production is less in the NTC mills as compared to the input of cotton. In spinning, the wastage of cotton is 17 to 19 per cent in the NTC mills, while the industry's average is 15 to 16 yer cent. In weaving, the percentage of wastage in NTC mills is 4 per cent as against 3 per cent in the industry. The Committee are informed that this imbalance would be rectified on the implementation of modernisation programmes in the mills and the Corporation has already decided to set up two teams consisting of technical and finance personnel which would go into the working of the mills and devise norms to judge the performance of the mills. The team are stated to have taken up studies in respect of 3 mills before nationalisation. The Committee recommend that the terms should finalise their studies without delay so that suitable norms are evolved and enforced for evaluating the performance of various sections of mills and taking prompt corrective measures to sustain higher efficiency and output.

Reply of Government

At the headquarters of NTC, Techno-Economic teams have been set up and the work of evaluation of the performance of mills has started. Subsidiaries have also been advised to set up techno-economic teams and since then some of the subsidiaries have already set up such teams. These teams visit the mills and conduct a survey on the operations of the mills with the objective of making a proper assessment of the performance in respect of all areas of operation and suggest measures for improvement. The teams are already engaged in this task.

[Ministry of Commerce U.O. No. 54012/2(vi)/75-NTC dated 30-12-1975]

Recommendation (Serial No. 28, Paragraph 7.7)

The Committee find from the High-Powered Committee Report that there was no guidelines as to how the sale rate was related to the cost of production and which of the products were profitable and which were not. The Committee are distressed to note that although the Corporation came into existence in 1968 and has taken over the responsibility of running 103 mills, it has not so far laid down any guidelines in regard to the pricing of the products of the mills nor fixed any parameteres to enable a comparative study of the prices of the products of the mills. The Committee would like the Government and NTC to evolve suitable guidelines for fixing prices of products of NTC mills after taking into account all the relevant factors and introduce them in all the mills so that the mills follow a uniform procedure in fixing the prices within the ambit of the guidelines.

Reply of Government

The prices of NTC products are determined by the market forces. Eighty percent of the textile industry is in the private hands. This eighty percent of the industry also is the better part of the textile industry in contrast to sick mills controlled by NTC. NTC products have to be sold in the market in keen competition with the products of these better mills. The price of NTC products is therefore, being controlled by these market forces. An attempt is being made to organise direct retailing with a view to eliminate middle men and to have a better price realisation and to gather market intelligence so as to have a more realistic pricing policy.*

[Ministry of Commerce U.O. No. 54012/2(vi)/75/NTC, dated 9-1-1976]

Comments of Committee

Please see paragraphs 1.14 to 1.16 of Chapter I of the Report.

Recommendation (Serial No. 28, Paragraph 7.8)

The Committee also note that in spinning as well as composite mills, the costs of cotton, stores and spares and wages|salaries are higher by 2 to 3 per cent in NTC mills as compared to the private sector mills. The higher costs of cotton and stores and spares are stated to be due to lack of bank finance for the working capital of NTC and the higher cost of wages|salaries is stated to be due to the utilisation of old machinery not being the same as in the private sector. While the Committee have already commented on the need to provide adequate bank finances to NTC mills in paragraph 6.50 of this report, the Committee would like the NTC to take suitable measures to effect economies in the different elements of costs so that they may be within the levels of national average and the cost of end-product may also be economical. The Committee recommend that the Corporation should in particular take steps to bring down the costs of production by linking wages to productivity and reduce cost of cotton by effecting timely purchases at economic cost through the CCI. The Corporation should also take advantages of scales so that utilisation of stores and spares are within the standards.

---

*At the time of factual verification of the Report, the National Textile Corporation stated (on 15-4-1976) as under:—

"After the introduction of accounting and costing manual in the mills w.e.f. 1-4-1976, it is proposed to link up the price of products of NTC Mills with the cost of production. Necessary action in this regard is being taken. Further beginning has already been made with the fixing of price of Janta Fabrics produced by NTC Mills. In this case, prices are stamped as for controlled cloth and does not increase by 20 per cent than the ex-mill price. The range of Janta Fabrics is being widened.

The budget for the curent year also envisages the stamping of maximum retail price on every metre of cloth produced by the mills. The N.T.C. Mills will follow the instructions to be issued in this regard by the Textile Commissioner".

Reply of Government

With a view to affecting bulk purchase of cotton at economic cost, it has been decided to centralise the purchase of cotton at the Subsidiary level. Further to the extent possible the cotton is being purchased from Public Sector|Co-operative Agencies like CCI, and Maharashtra State Co-operative Marketing Federation. Terms of purchase are being finalised with the CCI. As a result of these measures there has already been some reduction in the mixing cost in some of the mills and further reduction is expected.

With a view to take advantage of bulk purchase of items of stores and chemicals, these items have been classified under three categories viz. (a) where bulk purchase are made by the mills, (b) where sufficiently large quantities of stores and chemicals are purchased and (c) where small quantities are being purchased. A Standing Committee consisting of the representatives of NTC and the Subsidiaries has been set up which will settle terms of transactions including prices for the purchase of items falling under category (a) and would further guide the Subsidiaries in the purchase of these items. About 15 items for this purpose have been classified. The purchase of items falling under category (b) is being centralised at the subsidiary level. The remaining items of comparatively smaller quantities falling under category (c) will be purchased by the mills direct.

With regard to purchase of spares and parts, the Subsidiaries have been advised to consider advisability of organising central stores for a group of mills where several mills are located in the same city.

As a result of the above measures, it is expected that NTC mills will be able to make purchases at economic prices.

The recommendation of the Committee to link wages to Productivity is being brought to the notice of the Bipartite Committee set up for the NTC for their consideration and guidance.

[Ministry of Commerce U.O. No. 54012/2(vi)/75-NTC dated 9-1-1976]

Comments of Committee

Please see paragraphs 1.17 to 1.19 of Chapter I of the Report.

Recommendation (Serial No. 29, Paragraph 8.8)

The Committee note that till recently marketing function in the NTC was confined to laying down broad based policies regarding the appointment of selling agents, opening of channel of distribution etc. and the various mills under the NTC were following the traditional system of marketing in the country, and some of the mills had set up their own retail outlets. Some of the State Textile Corporations in a limited fashion also went in for centralised marketing, but by and large, the sales were on a mill to mill basis. The Committee are informed that the NTC feeling the necessity for a change in the system in the context of nationalisation, has asked the National Council of Applied Economic Research to go into the entire system of marketing and recommend the most appropriate marketing structure for the products of NTC mills and the preliminary report of NCAER has since been received. The Committee find from the preliminary report that NCAER has suggested that the NTC subsidiaries should develop their own channels of distribution gradually over the next decade in such a way that they reach the consumer directly, and aim for a monopoly distribution of controlled cloth (as long as the category exist) as well as for the position of a dominent supplier of textiles to all governmental departments and undertakings. The NCAER has also suggested that the subsidiaries, in co-operation with NTC(1), should enter ready made garments market in a large way. The Committee are informed that the Corporation has already requested the Central Government, State Government and the Defence Departments that their requirements may be met from the NTC mills. The Committee would like that Government Departments should give preference to NTC mills in the matter of their purchases of cotton textiles and yarn for a variety of purposes. The Committee would also like the NTC to consider the report of the NCAER expeditiously and re-organise its marketing network on modern and scientific lines so as to compete with the private sector mills in the matter of supply of cloth to the common man. The Committee recommend that while taking a decision about NTC having their own marketing arrangements, the Corporation may consider the desirability of setting up a centralised marketing organisation at wholesale level with retail outlets through its own shops public distribution system or selling agents. They feel that instead of the individual mills opening their separate retail outlets, the NTC should establish retail outlets under its own name where the products of all the NTC mills may be sold. The Committee would also like the Corporation to consider marketing and selling its products under one brand name rather than using the brand names of the different mills, so that it catches the customers eye and promotes sale. The Corporation should also ensure that selling and distribution costs are kept to the minimum.

The Committee would also like the Corporation to consider the feasibilty of utilising the unemployed graduates for marketing their products.

The report of NCAER has been considered by the Board of Directors of NTC and its marketing network is being reorganised. Establishment of a marketing subsidiary Corporation-NTC (Marketing) to meet the modern marketing needs is under consideration.

As suggested by the Committee retail outlets where products of all the NTC mills will be available under one roof are being opened in diffrent parts of the country. The work of wholesale has also been started. Central Distribution Depots have been opened at Delhi, Bombay, Madras, Poona, Coimbatore, Hyderabad and Calcutta.*

Marking and selling of NTC products under one brand name has been introduced and the mills have been advised to mark 'NTC FABRICKS' on all their products.

NTC is examining the possibility of utilising the services of unemployed graduates for marketing its products. For this assistance of State Civil Supplies Corporations is being taken as these Corporations are in a better position to supervise and assist such shops. NTC products will be made available to these shops through the Civil Supplies Corporations from NTC Depots. In this manner these shops will become multi commodity sale points and will be economically viable.

[Ministry of Commerce U.O. No. 54012/2 (vi)/75-NTC dated 9-1-1976]

*At the time of factual verification of the Report, the National Textile Corporation stated (on (15-4-1976) as follows:—

"The work of wholesale has been started. Central Distribution Depots have been opened at Delhi, Bombay, Madras, Patna, Coimbatore, Hyderabad, Calcutta, Bangalore and Indore. These Godowns are feeding about 50 directly run retail showrooms of N.T.C., in addition to a growing network of multi-purpose distribution centres of the oil companies as well as outlets of sister corporations and defence canteens".

Recommendation (Serial No. 31, Paragraph 8.19)

The Committee further note that the Government have lifted the price and distribution control on yarn since last year and the products are now marketed through area agents openly. They were informed that in certain areas of Gujarat, certain buyers formed a syndicate and managed to buy yarn from NTC mills at low prices and then to sell it to handloom and weaver organisations at a premium. The NTC mills, however, seem to have suggested that it would be in the interest of the handlooms and wevers to combine themselves into a body and buy their requirements direct from the mills instead of through intermediaries, and the NTC were prepared to help them in regard to the payment terms. The Committee agree that this is a step in the right direction and recommend that the corporation sould examine the feasibility of selling the yarn direct to the handlooms and weavers or to organised bodies of the weavers to eliminate profits by middlemen and to avoid malpractices in the distribution of yarn. The Committee also recommend that the State Governments should be asked to gear up their distribution machinery to ensure that the yarn allotments follow the actual demand pattern and distribution of yarn is made to the users in the best public interest.

Reply of Government

Presently there is no control on distribution of yarn. The recommendation made by the Committee would be kept in view whenever control on distribution of yarn is to be enforced.

[Ministry of Commerce U.O. No. 54012/2(v)/75-NTC dated 24-12-75]

Recommendations (Serial No. 32, Paragraph 8.30)

The Committee note that the distribution of controlled cloth is at present done through five channels viz., mills own retail shops or authorised retail shops in semi urban/semi rural areas, super bazars in cooperative sector, National Cooperative Consumers Federation, fair price shops run under the aegis of State Governments and any other agency in the Cooperative Sector specified by the State Government.

Reply of Government

Reply of Government in respect of paragraph 3.34 of recommendation No. 32 explains the position.

[Ministry of Commerce U.O. No. 54012/2(vi)/75-NTC dated 27-2-76]

Recommendation (Serial No. 32, Paragraphs 8.31 to 8.33)

According to the instructions issued by the Government of India; the NTC mills, like other mills, can sell only 10 per cent production of controlled cloth through the retail outlets and the balance has to be sold through National Cooperative Consumers' Federation.

The Committee are informed that there are 500 retail outlets of the NTC mills, which according to the instructions of the Textile Commissioner have to be manned only by NTC under its own staff and not to be given to authorised persons and all the inventories in the shops must be held on behalf of the mill. As NTC mills are allowed to sell only 10 per cent of the controlled cloth production through their retail outlets almost the entire over heads of distribution have to be borne by the balance production. The Committee are also informed that if the NTC is allowed to see all the controlled cloth production of its mills through its own distribution system it can establish its outlets in the rural areas also where they can sell the controlled cloth along with non-controlled cloth; otherwise the, Corporation has to confine itself to the urban population where there is greater demand for the rest of the production. NTC is of the view that its distribution system, which falls in the category of public distribution system, should not be equated with the marketing system operated by the private sector mills. The Corporation is also of the view that it should be allowed to set up outlets wholly manned by its own staff in bigger places but in other places, it should be allowed to have outlets which are under its discipline and are manned by its staff for sale of controlled cloth.

The Committee are informed that though one of the objectives laid down in the Nationalisation Act is that the cloth should be available at cheaper prices, when the NTC mills reduced prices of their production to the extent of 20 to 30 per cent, and incurred the loss of about Rs. 9 crores in the exercise, the benefit of this reduction in prices was not passed on to the consumers by the intermediaries.

Reply of Government

Reply of Government in respect of paragraph 8.35 of Recommendation No. 32 explains the position.

[Ministry of Commerce U.O. No. 54012/2(vi)/75-NTC dated 27-2-76]

Recommendation (Serial No. 32, Paragraph 8.34)

According to the Ministry of Industry and Civil Supplies, basically there cannot be any dispute if the NTC is in a position to distribute a greater part of its controlled cloth output and establish the outlets in the rural areas if it considers the economics of the proposal alright. The Committee also recommend that the Corporation should in consultation with State Governments evolve a procedure to ensure that the benefit of controlled cloth sold through the retail outlets actually reaches the consumer.

Reply of Government

The State Government and their various agencies are being approached to sell N.T.C. controlled cloth through existing fair price net work of these agencies. This will ensure that these goods will reach the consumer. In this context it may be mentioned that arrangements for sale of NTC products have been finalised with Punjab Civil Supplies Corporation, Essential Commodity Corporation U.P. and Bihar Food and Civil Supply Commissioner.

[Ministry of Commerce U.O. No. 54012/2(vi)/75-NTC dated 9-1-1976]

Recommendation (S. No. 32, Para 8.35)

The Committee are of the opinion that with the nationalisation of the 103 mills, the NTC should like cooperatives, super bazars and fair price shops etc., come under the public distribution system and therefore, the restriction that only 10 per cent of controlled cloth should be sold through mills' own retail outlets which has been imposed on all the textile mills (including NTC mills) should not be made applicable to the NTC mills. The Committee, therefore, recommend that Government should consider the feasibilty of allowing the Corporation to sell controlled cloth produced by N.T.C. mills through the Corporation's own retail outlets along with other non-controlled varieties of cloth, to enable the NTC to sell/distribute the controlled cloth in the rural areas also and thus help the actual consumers in getting the cloth without difficulty.

Reply of Government

Under the existing policy the NTC mills as well as private mills are allowed to sell controlled cloth produced by them through the retail outlets alongwith other non-controlled varieties of cloth. They can open their own retail shops in any part of the country including Metropolitan cities, urban as well as rural areas. In addition to this, they can have their authorised retail shops in the semi-urban/

semi rural areas with a population below 50,000. The controlled and non-controlled cloth of the mills can be sold in these shops. Besides in case of NTC, a general permission has been given to them that the cloth produced by any mill under NTC can be sold in the shop of any other mill under NTC. Thus, NTC is free to move the cloth to any shop in any part of the country, irrespective of whether the cloth was produced by the mill to whom the shop belongs provided that both the mill and the shop are of NTC.

As per the existing policy, allotment to mills own retail shops is 10 per cent of the stocks reported not exceeding 25 bales per shop and another 10 per cent not exceding 25 bales per shop is similarly allowed for allotment to various retail shops in the semi-urban|semi-rural areas. However as against 20 per cent eligibility, the NTC mills have been able to take only 9 per cent in the past. More shops are being opened by the NTC towards the fulfilment of this recommendation.

[Ministry of Commerce U.O. No. 54012/2(v)/75-NTC dated 24-12-75]

Recommendation (Serial No. 32, Paragraph 8.36)

The Committee also recommend that in order to ensure an equitable distribution of controlled cloth efforts should be made to locate the retail shops from the district level to the block level. The Committee expect that the Corporation would no doubt examine the economics of opening such retail outlets before establishing outlets in new areas including rural areas.

Reply of Government

Efforts have been made by the NTC to locate open retail shops in different districts. It has been decided to open shops in the first instance in the cities having population of more than 2 lakhs. However for distributing controlled cloth at Taluka level, NTC has been negotiating arrangements with various State Civil Supplies Corporations so that their outlets can be utilised for distribution of cloth both controlled as well as non controlled. On experimental basis some sales have been effected through Punjab Supplies Corporation, Essential Commodity Corporation, U.P. and Bihar Food and Civil Supplies Corporation. These efforts are continuing.

[Ministry of Commerce U.O. No. 54012/2(vi)/75-NTC, dated 9-1-1976]

Recommendation Serial No. 32 (Paragraph 8.37)

The Committee would also like that the Corporation should consider establishing in the retail outlets a separate section solely for the distribution of controlled cloth so that the common man may not have any difficulty in the purchase of controlled cloth.

Reply of Government

Keeping in view the recommendation of the committee separate sections for the sale of controlled cloth have been started in all retail outlets organised by NTC (apex body).

[Ministry of Commerce U.O. No. 54012/2(vi)/75-NTC, dated 9-1-1976]

Recommendation Serial No. 33 (Paragraph 8.38)

The Committee note that under the present system of allocation of controlled cloth, there is stated to be a timelag of 2 to 3 months between the controlled cloth being produced in the mills of NTC and the payment for it reaching the mills and this difficulty has persisted even after it has been brought to the notice of Textile Commissioner and the National Cooperative Consumers' Federation. The Committee would like the Government to streamline the procedure so as to ensure that the NTC mills get prompt payment for the controlled cloth produced by them and are thus saved from this additional financial burden.

Reply of Government

The primary agency for the distribution of controlled cloth is the National Consumers Cooperatives Federation and its affiliates. Before March 1975 movement of controlled cloth was slow on account of some complaints about quality of cloth. However, the complaints about quality have been removed by revising the specifications for controlled varieties by requiring the industry to produce at least 20 per cent of controlled cloth obligation in the shape of *dhoties* and *Sarees* and by introducing a system of advance approval of samples of cloth to be produced and supplied. Some cooperative federations affiliated to NCCF have also been strengthened financially. Following further modifications have been made in the distribution system to bring about improvement:—

1. In August '75, bales pertaining to pre-march 1975 packings, which were not lifted by the NCCF were permitted to be

sold by mills through the channels otherwise prescribed by the Textile Commissioner. Further, the maximum limit of 20 per cent applicable to sale of cloth through mill's own retail shops was removed.

2. In September 1975, sale of controlled cloth produced after March '75 was also liberalised in the following manner:—

If NCCF did not lift the allotted quota within 30 days, the controlled cloth was permitted to be marketed through channels approved by the State Governments namely (i) mills own retail shops (ii) mills authorised retail shops registered/approved by the State Government (iii) mills wholesalers and semi-wholesalers approved by the State Government and Textile Commissioner (iv) other public sector/cooperative agencies nominated by State Governments.

3. Ministry of Industry and Civil Supplies has been making concerted efforts to get the State Governments to open more retail outlets in rural and urban areas. As a result the retail outlets have multiplied from 15,420 in rural areas and 3,549 in urban areas as at the end of June '74 to 21,654 and 6,314 respectively, as at the end of March '75.

4. Mills have been permitted to dispose the accumulated stocks as on 31st October, 1975 through the channels of their choice. The permit allowed to NCCF for lifting the controlled cloth produced by mills after 1-11-75 has also been reduced to 15 days. Besides, all financially weak mills belonging to NTC and private sector have been exempted from the obligation to produce controlled cloth.

The position is now expected to improve and in the improved situation payments can be expected to be made in time.

[Ministry of Commerce U.O. No. 54012/2(vi)/75-NTC, dated 24-12-75]

Recommendation Serial No. 34 (Paragraph 9.18)

The Committee note that under the export obligation scheme, in 1973, the NTC mills exported 118 million sq. meters of cloth which was more than their obligation of 98 million sq. meters; in 1974 they could, however, export only 52.6 million sq. meters. Though the NTC has not yet been able to open new export oriented mills, which is one of its objectives, the Committee are glad to note that the first phase of modernisation of eight mills has started paying dividends in terms of higher exports. The Committee stress that the modernisation schemes should be implemented expeditiously so that the mills may be in a position to step up their production and improve exports. The Committee understand that a study on the marketing system of products of Government-managed mills had been entrusted to the National Council of Applied Economic Research which is expected to make specific recommendations in regard to exports also. The Committee, however, find from the preliminary report given by the NCAER, that the NCEAR has suggested the creation of fully owned Marketing Subsidiary known as NTC (International) to be managed by the Director (Marketing) of the NTC and its board should have three directors viz. Director, Export sales and import of raw materials, if any; Director Incharge of Production of exports fabric and Director Incharge garment manufacture. The NCEAR have also suggested that during a course of next 4 to 5 years, the NTC (International) should establish a couple of textile units to produce fabric devoted entirely to exports and should take up large scale garments manufacturing in collaboration with regional subsidiaries. The Committee are informed that as soon as the final report is received the Corporation would be taking a decision as to how the exports are to be organised. The Committee would, however, recommend that NTC should consider exporting their products directly on their own rather than through private merchants.

Reply of Government

In order to achieve this objective export division of NTC has been recently set up in Bombay. This division will take over direct exports of NTC products.

[Ministry of Commerce U.O. No. 54012/2(vi)/75-NTC, dated 9-1-1976]

Recommendation Serial No. 35 (Paragraph 9.19)

The Committee further note that the Reserve Bank had in the past given instructions to the banks to provide separate export credit upto the packing point and each bank was to get this amount refinanced from the Reserve Bank. The refinancing facility has been stopped since October, 1974 by the Reserve Bank. The banks are now reluctant to give any special credit facilities because of which the liquidity position of the mills and consequently the exports efforts are adversely affected. As the export efforts deserve encouragement in national interest the Committee would like the Government to look into the credit needs of exporting mills of NTC and take steps to ensure that their export efforts are not slackened because of credit curbs.

Reply of Government

The need for providing adequate credit to all exporters is always given emphasis in the seasional credit policies pronounced by the Reserve Bank of India from time to time. Export credit has all along been accorded high priority in the matter of provision of bank credit and banks have been advised by the Reserve Bank of India to meet all legitimate export credit needs. The banks can also utilise ordinary cash credits freely for export purposes. Thus all genuine credit needs of exporting mills of National Textile Corporation are likely to be met by the banking system.

Under the present system of refinancing, banks are granted certain basic borrowing limits, equal to 1 per cent of their demand and time liability and banks can borrow under such limits against liabilities including preshipment credits and export bills. The Reserve Bank of India does also consider sanctioning of additional credit limits to banks on a discretionary basis taking into account the overall resources position of the bank, the essential demands for credit and in particular, the credit extended for export sector.

[Ministry of Commerce U.O. No. 54012/2(vi)/75-NTC,
dated 24-12-75]

Recommendation Serial No. 35 (Paragraph 9.20)

The Committee also note that the combined obligation scheme in respect of controlled cloth and exports is affecting the interests of the NTC mills adversely. They have dealt with this question in an earlier chapter and given their recommendations in this regard.

Reply of Government

Reply of Government in respect of paragraph 6.35 of Recommendation No. 19 and paragraph 6.37 of Recommendation No. 21 explains the position.

[Ministry of Commerce U.O. No. 54012/2(vi)/75-NTC,
dated 27-2-76]

Recommendation Serial No. 36 (Paragraph 10.15)

The Committee note that the debt-equity ratio, as revealed by the financial results of the Corporation, was 1.32 : 1 in 1971-72, 1.34 : 1 in 1972-73 and 1.25 : 1 in 1973-74. The Committee feel that in the interest of better financial management of the Corporation, it is desirable that the debt-equity ratio is brought to the recognised pattern of 1 : 1.

Reply of Government

It has been decided that debt-equity ratio in the case of NTC will be according to the norm of 1 : 1.

[Ministry of Commerce U.O. No. 54012/2(vi)/75-NTC, dated 24-12-75]

Recommendation Serial No. 37 (Paragraph 10.16)

The Committee also note that while the working results of the Corporation, as such, showed a profit (after tax) of Rs. 13.94 lakhs in 1971-72, Rs. 26.08 lakhs in 1972-73 and Rs. 32.11 lakhs in 1973-74. The mills taken over by the Corporation incurred a loss of Rs. 18.75 lakhs from the date of take-over till March, 1971 (in respect of 31 mills) and the cumulative losses rose to Rs. 26.19 crores till the end of March 1972, when the number of mills rose to 47. The mills have been able to turn the corner since then and have reduced the carry-over losses to Rs. 6.44 crores as on 31st March, 1974 by earning Profits of Rs. 1.38 crores in 1972-73 for 80 running mills and Rs. 18.37 crores in 1973-74 for 96 running mills. The Committee are constrained to note that at the time of take-over of the mills, in most of the cases the accounts had not been prepared for a number of years and even in cases the account had been prepared, the balance sheets were not available. The Committee are not sure whether any action has been taken against such defaulting mills for this sad state of affairs. The Committee would like to be informed of the action taken to reconstruct these accounts at least now with a view to ascertaining the correct financial position of the mills so that the Corporation may take suitable remedial action to improve the financial position

Reply of Government

The 103 nationalised textile mills were taken over, at different times and in different circumstances. Before they were nationalised with effect from 1-4-74, the mills were managed by different bodies in some cases by Authorised Controllers appointed by Government of India directly, and in some cases by the State Textile Corporations and National Textile Corporation. The maintenance of accounts and preparation of balance-sheets during the period before take over devolved on the previous managements. It would be exceedingly difficult at this stage for the NTC to go into the question whether accounts had been maintained properly or not, more so to reconstruct the accounts. Nevertheless, the Department of Company Affairs has been addressed in the matter so that they can get the exact position verified from the Registrar of Companies who is primarily responsible for ensuring maintenance of accounts by industrial units.

[Ministry of Commerce U.O. No. 54012|2(vi)|75-NTC dated 9-1-1976]

Comments of Committee

Please see paragraphs 1.20 to 1.22 of Chapter I of the Report.

Recommendation Serial No. 38 (Paragraph 10.17)

The Committee find that out of the total cumulative losses of Rs. 26.19 crores upto 31st March, 1972 incurred by the Mills Rs. 18.72 crores were the losses incurred by only 4 mills, namely, Indian United Mills, Bombay, Digvijay Spinning & Weaving Mills, Muir Mills and Sri Bharathi Mills, Pondicherry. The Committee were informed that higher labour cost, low productivity, lack of modernisation were responsible for the losses, and as a result of implementation of first phase of modernisation programme, installation of additional automatic looms, providing balancing machinery and also erection of diesel power generation sets etc. now initiated by the NTC to modernise these mills and improve productivity, these mills appears to be turning the corner. The Committee need hardly point out that this underlines the need for taking up the modernisation programmes on a priority basis. The Committee, therefore, desire that there should be a time-bound programme for renovation/modernisation of the mills and special attention should continue to be paid to these four mills which have caused such heavy losses to the Corporation in the past and that there should be no let-up in efforts already initiated to turn these losing concerns into profitable units as early as possible.

Reply of Government

The notionalised textile sector is having an installed capacity of 2.9 million spindles and 45,725 looms and employs over 1.6

lakhs workers. A major portion of the plant and machinery is more than 4 to 5 decades old and is in need of immediate replacement. Even before it came under the Government management, not only, there was negligible amount of replacement done in these units but also large size cannibalisation had been resorted, to keep a portion of the plant and machinery running by replacing the parts from the other machines. Thus at the time of take over in most of the mills, on average, only 50 to 60 per cent of the Installed capacity was in working order. The management of these mills had been taken over by Government to various points of time either under the I (D & R) Act or under the Sick Textile Undertakings (Taking Over of Management) Act. Until as late as 1972, one was not sure whether these units will be handed over back to the previous owner or will continue to be run as Government managed mills and hence though the mills had been taken over for management since 1959, no cognisible amount was spent on modernisation till 1972 by the Government. In fact, this had resulted in more obsolescence of the machines that were already old.

The condition of plant and machinery in the nationalised units require following steps to be taken to improve both the utilisation percentage of the installed capacity as well as improvement in production :—

(a) certain immediate balancing equipment to be provided to increase the percentage of capacity utilisation.

(b) to effect certain immediate renovation in the plant and machinery.

(c) to effect certain replacement of machines.

(d) to add certain processing equipment to increase the capacity in processing thus introducing certain diversification.

(e) In certain small sized economically unviable units, formulate schemes for expansion to bring them to a viable size.

In order to accomplish the first three objectives, N.T.C. has formulated modernisation schemes which is expected to involve an expenditure of Rs. 80 crores. In addition, to this, there are 42 units which are having less than 25,000 spindles.

In order to bring these units upto the level of 25,000 spindles about 4 lakh spindles have to be added to these units. This would involve an expenditure of approx. Rs. 60 crores. It would also be necessary to replace 4,000 looms with automatic looms which will further involve an expenditure of Rs. 20 crores. In order to improve the unit realisation per metre of cloth and the profitability of the mills. It is intended to provide modern processing machines such as Mercerising Plant, Sanforising Plant, Stenters, Printing Machines, etc., which would involve an expenditure of approx. another Rs. 15 crores. Thus, the total requirement of funds for modernisation and making these units viable will involve an expenditure of Rs. 175 crores at present day costs.

N.T.C has already sanctioned modernisation for 83 mills involving a total outlay of Rs. 50.85 crores and for rest of the mills the programme are under different stages of formulation. Out of the sanctioned programmes, orders have been placed for Rs. 32 crores of which Rs. 18 crores of machines have already been received and installed.*

An outlay of Rs. 35.33 crores has been proposed for modernisation programmes of 1976-77 and its progress will depend on the money made available to the Corporation for this purpose.*

In addition, crash modernisation programmes for all the mills have also been worked out. These programmes are to be completed within a period of about 2 years.

With regard to four heavily losing mills classified by the Committee on Public Undertakings viz. Indian United Mills, Digvijay Spg. Mills, Sri Bharathi Cotton Mills and Muir Mills, Modernisation programmes in respect of these mills have already been sanctioned and are under implementation. The amount sanctioned and utilised for modernisation by these mills upto 30th June, 1975 are as under :

		Sanctioned Rs. lakhs	Implemented Rs. lakhs
India United Mills	..	493.11	273.00
Muir Mills	..	64.67	37.96
Bharathi Mills	..	111.36	—
Digvijay Mills	..	49.98	32.11

*At the time of actual verification of the Report, the National Textile Corporation stated (on 15-4-1976) as follows:—

"Modernisation programme in respect of 87 mills involving an outlay of Rs. 61.43 (including 4.30 crores for diesel generating sets) had been approved by the Corporation. Out of the approved programmes, orders have been placed for Rs. 36.25 crores of which Rs. 21:5 crores of machinery have already been received and installed by Dec., 1975.

An outlay of Rs. 20 crores has been provided for modernisation programme in the budget for 1976-77 for N.T.C."

It is hoped that with the completion of the programme the mills will start getting the full benefits of the same through higher productivity

[Ministry of Commerce U.O. No. 54012/2(vi/75-NTC dated 30-12-75]

Recommendation Serial No. 39 (Paragraph 10.18)

The Committee also note that out of the 103 mills taken over by the Corporation, 27 mills accounted for a loss of Rs. 8 crores in 1971-72, 42 mills for a loss of Rs. 3.4 crores in 1972-73 and 22 mills for a loss of Rs. 1.4 crores in 1973-74. Some of the main reasons for the losses are stated to be low productivity of machinery, excess labour force and consequent low productivity of labour, rise in wages, increase in cost of cotton content due to inefficiency of machinery, power cuts and shortage in working finances. The Committee recommend that the Corporation should take appropriate steps to effect economies in expenditure both in Headquarters and subsidiaries introduce appropriate system of cost control, improve productivity of machinery and men by speedy implementation of modernisation programmes, rationalisation and proper deployment of labour. The Committee also recommend that the Corporation should conduct a critical review of the working of the Mills and identify the mills which would continue to incur substantial losses and take concerted crash measures, including diversification, if necessary, with a view to improving their financial viability.

Reply of Government

The recommendations of the Committee to effect economies in expenditure; introduce appropriate system of cost control, implement modernisation expeditiously, improve productivity of machinery and rationalisation of labour have been noted for action. It may be stated that after the formation of the Subsidiaries, major portion of the purchases of raw-material and also to a certain extent bulk stores items have been centralised at the subsidiary level in order to get bulk discounts on rates and effect economies. Further details are given in reply to the recommendation contained in para 7.8.

2. Regarding uniform costing system, NTC has already evolved uniform accounting procedure and costing manual. This uniform system of both accounting and costing is expected to be implemented from 1st April, 1976 in all the Mills. For details please refer answer to items to recommendations contained in paras 7.4 and 10.27.

Modernisation:

Regarding Modernisation, NTC has already prepared detailed schemes of priority modernisation for most of the running mills. The programme which is likely to cost approximately Rs. 80 crores is already getting implemented and by the end of 1977 the entire programme is expected to be completed. NTC has also taken up in hand preparation of detailed project, reports on the expansion of 43 small units having less than 25,000 spindles. In order to provide adequate processing facility and to effect certain amount of diversification of products for greater unit realisation, programmes are being chalked out. Further, NTC is also drawing schemes to replace certain dilapidated looms to automatic looms to improve export potential. All these schemes are dovetailed with each other as a long range programme which is expected to be implemented in another 3—5 years.

Labour Rationalisation:

NTC has already started implementing rationalisation schemes in the mills for which Government is to provide Rs. 4 crores during the current year and Rs. 6 crores during 1976-77. It is expected that by the end of the Financial year 1976-77, the rationalisation schemes would be completely implemented in all the units of NTC and also better deployment of labour with higher labour productivity will be achieved.

Critical Review of the Working of the Mills:

So far as as the recommendation of the Committee with regard to conducting critical review of the working of the mills is concerned, it is stated that monthly performance reviews of all the mills and the Subsidiary Corporation are conducted by the Technical Division and the results of the review are submitted to the Board of Directors of NTC for their information and comments. These reports are further referred to the Subsidiary Corporations for taking corrective action wherever necessary. In addition, special reviews at subsidiary level are also being carried out. In this context, it may be mentioned that a critical review of the performance of the spinning mills under the NTC and its Subsidiaries has been conducted recently. The Techno-Economic Survey Teams are being deployed by the NTC to conduct "in depth" studies of individual mills and their problems relating to production and productivity. These studies are being undertaken with a view to improve the working of the mills and improving their financial viability.

[Ministry of Commerce U.O. No. 54012|2(vi)|75-NTC dated 9-1-1975]

Recommendations Serial No. 40 (Paragraph 10.19 and 10.20)

The Committee also note that the administration and establishment expenditure of the Corporation increased from Rs. 13 lakhs in 1971-72 to Rs. 44 lakhs in 1973-74. The Committee are informed that the increase in expenditure was due to the increase in the number of units to be managed by the Corporation from time to time and on account of the revision of pay scales in the light of the Pay Commission's recommendations. The Committee have given their recommendations in regard to increase in staff strength in a separate chapter of this Report.

The Managing Director, NTC, stated during evidence that "The Act regarding nationalisation has been passed only last month and the whole structure, at present, is under review and we will be winding up our regional offices also. After subsidiary corporations are formed, we will have another look at this." The Committee recommend that the Corporation should have a second look at the organisational structure of the Headquarters and the subsidiaries and rationalise the staff strength at all levels right from the beginning to avoid the phenomena of over-staffing which is usual with the public sector.

Reply of Government

The Board of Directors of N.T.C. appointed a Sub-Committee consisting of Additional Secretary, Ministry of Finance, Joint Secretary, Ministry of Industrial Development, Managing Director, N.T.C. to examine the organisational structure of the Head Office of N.T.C. They have since finalised the staff strength of the Head Office of N.T.C. which was approved by the Board of Directors. While examining the organisational structure, the Committee has taken into consideration the views of the Committee on Public Undertakings.

With regard to the organisational structure at the subsidiary level, the recommendations of the Committee on Public Undertakings have been communicated to the subsidiaries for necessary action.

[Ministry of Commerce U.O. No. 54012|2(vi)|75-NTC, dated 30-12-75 and 27-2-1976]

Recommendations Serial No. 41 (Paragraph 10.26 and 10.27)

The Committee note from the report of the Statutory Auditors that the Corporation has not yet compiled the Accounting Manual, nor has it fully implemented the Internal Audit Manual already prescribed. In the regional offices of Bombay and Bangalore, the accounts staff have not been properly utilised while no internal audit control has been introduced, in spite of the sanctioned posts for the cell.

The Committee are informed that steps have been taken to prepare an Accounting Manual early in 1974-75 and work had to be suspended to include new procedure because of nationalisation of the Mills. As the mills have since been nationalised, the Committee hope that the NTC would now lose no time in compiling the Accounting Manual and also organising the Internal Audit Units at appropriate levels, so as to lay down proper accounting procedures and to keep regular checks over the accounts and financial transactions of the Corporation and the Subsidiaries. The Committee expect that the results of internal audit would be reported to the Top Management and Board so that suitable remedial action may be instituted in time to rectify the deficiencies, if any, brought to notice. The Committee also desire that there should be a system by which weekly performance reviews on the individual mills are received by the subsidiary corporations and furnished to the NTC so that the Corporation may have an opportunity of reviewing the weekly|quarterly| annual performance of the mills and taking corrective action to remedy any shortcomings noticed.

Reply of Government

Draft accounting manual has already been prepared and circulated to all NTC mills. The comments received from some of the mills on accounting manual are being studied. It will be finalised at a meeting of FA&CAOs of subsidiary corporations proposed to be called shortly and introduced with effect from 1-4-1976.*

As regards internal audit, most of the subsidiary corporations are taking necessary steps to introduce|implement internal audit programmes. The National Textile Corporation has already introduced comprehensive reporting system on the performance by the mills on monthly basis. On the basis of such reports the performance of the mills is reviewed and information is fed back to the Subsidiary Corporations to enable them to take corrective measures wherever necessary.

[Ministry of Commerce U.O. No. 54012|2(vi)|75-NTC, dated 9-1-1976 and 27-2-1976]

*At the time of factual verification of the Report, the National Textile Corporation stated (on 15-4-1976) as follows:—

"Since then the costing and accounting manual has been finalised and subsidiaries have been asked to introduce costing and accounting manual with effect from 1st April, 1976."

Recommendation Serial No. 43 (Paragraph 11.9)

The Committee are informed that inventory of goods and spares of the mills include obsolete and unsaleable items of goods and spares. The mills have been told by the Corporation to dispose them of by circulating a list of such items to all the mills and, to the extent possible, the items should be disposed of within the organisation. The Committee recommend that the Corporation should review the position in this regard and take stock of all such obsolete stores and spares and machinery so that they may be disposed of in the best interests of the Corporation after following the proper procedures for condemnation of these items. The Committee also suggest that in the case of any looms proposed to be disposed of, the Corporation may examine the question of selling such looms to the ex-workers of the mills in the interest of rehabilitating them. The Committee would, however, like to caution that this should not lead to any avoidable condemnation of looms or *benami* transactions.

Reply of Government

The Corporation has advised its Subsidiary Corporations to follow the procedure suggested by the Committee in the matter of disposal of obsolete machinery. The Subsidiaries have also been asked to inform other NTC units about the disposal of any such machines. At present the disposal of looms in the mills is carried out as per the procedure/instructions issued by the Textile Commissioner's Office. The Officers of the National Textile Corporation working as part time Directors on the Board of Subsidiaries have also been asked to look into these aspects, so that no avoidable condemnation of looms or *benami* transactions take place.

[Ministry of Commerce U.O. No. 45012/2(vi)/75-NTC, dated 9-1-1976]

Recommendation Serial No. 44 (Jaragraph 11.10)

The Committee are also informed that action is being taken by the Corporation to introduce cardex system for maintenance of stores records which would help the mills in managing the inventory. The Committee feel that modern methods of inventory control should be introduced where necessary in the mills so that there can be effective control on stores and accumulation of stocks and blocking of capital are avoided. The Committee also suggest that in the interest of ensuring uniformity in stores procedures, the Corporation should consider bringing out their own stores procedures and accounting manual for adoption by the different mills.

Reply of Government

The accounting/costing manual which includes inventory control has been prepared and circulated to all the Government Mills. The comments received from some of the mills are being studied. It will be finalised in a meeting of F.A. & C.A.Os of Subsidiary Corporations, proposed to be held shortly.*

[Ministry of Commerce U.O. No. 45012/2(vi)/75-NTC, dated 30-12-1975]

Recommendations Serial No. 45 (Paragraphs 12.7 and 12.8)

The Committee note that in their Report on National Textile Corporation the High-Powered Committee had observed that in the 24 mills which were examined by them, as against a total labour force of 78,662 on rolls prior to take over 59,183 workers or nearly 75 per cent were employed. In three of the mills, the number of workers employed exceeded the number on rolls prior to take-over. Among the others, in 3 the employment was between 90 and 100 per cent, in 5 between 80 and 90 per cent, in 6 between 70 and 80 per cent, in 4 between 60 and 70 per cent and in the remaining 3 below 60 per cent. The High-Powered Committee further observed that employment of labour in the mills was also on the high side. As against the actual number of operatives per 1,000 spindles employed by individual mills, it was observed that the standard average had been exceeded by about 15 per cent in one unit, 30 to 50 per cent in 9 units, and by 75 per cent to 100 per cent in the remaining 5 units.

The Committee also note that to deal with the problem of surplus labour in NTC mills, the NTC has evolved a scheme of rationalisation of labour in its mills under which if any worker wants to voluntarily retire, he is given certain compensation and certain other benefits. The scheme has so far been approved for implementation in 24 mills though it has actually been implemented only in seven mills. The Committee hope that this scheme will be extended to and implemented in other mills of NTC expeditiously, so that the mills are not loaded with avoidable surplus in the event of modernisation of Mills. The Committee recommend that the scheme of labour rationalisation should aim at achieving the maximum production/productivity and for this purpose Government should consider the feasibility of introducing built-in incentives to workers.

---

*At the time of factual verification of the Report, the National Textile Corporation stated (on 15-4-1976) as follows:—

"The costing and accounting manual has been finalised and Subsidiaries have been asked to introduce costing and accounting manual with effect from 1st April, 1976."

Reply of Government

By and large, the units|NTC Subsidaries made vigorous efforts to implement the scheme. Out of the 24 mills included in the scheme, 10 mills have already implemented the rationalisation programme, as a result of which a saving of Rs. 4,37,250 per month has been achieved.

The rationalisation programme in mills could not be implemented due to paucity of funds, and difficulty in securing consent of labour unions in some mills. More funds are likely to be made available by Government, and efforts to secure agreements with unions are being made. It is expected that rationalisation will be completed by 1976-77.

[Ministry of Commerce U.O. No. 54012/2(vi)/75-NTC, dated 30-12-75 and 27-2-76]

Recommendation Serial No. 46 (Paragraph 12.9)

The Committee also note that by and large there is no active participation of workers in the management of the mills though Government agreed during evidence that they wanted to Co-operation of all the workers and that the participation of workers in management was a desirable thing. The Committee were informed that in some mills workers were associated at shop level but there was no association of workers at the Board level.

The Committee have in their 17th Report (Fifth Lok Sabha) on 'Personnel Policies and Labour Management Relations in Public Undertakings' stressed the need for workers' participation in the management which should be from the shop level to the Board level. The Committee recommend that the Corporation should set an example as a model employer by creating a feeling of belonging amongst the workers of the NTC mills, and for this purpose they feel that the representatives of employee should progressively be given participation in management at all levels. The Committee also recommend that there should be a system of built-in incentives in the wage structure as so as to increase the productivity of workers under the NTC. The Committee need hardly emphasise the importance of investment in human beings whenever any programme of modernisation is undertaken.

Reply of Government

A National Bi-partite Body for National Textile Corporation Limited has been set up, recently. The Chairman NTC, Managing Director NTC and Chairman-*cum*-Managing Directors of 9 Subsidiary Corporations are the representatives of the employers. The workers are represented by I.N.T.U.C., A.I.T.U.C. and H.M.S. Organisations.

The main functions of National Bi-partite Body are to sort out problems relating to the Industrial relations and to ensure higher production, productivity, quality control and fuller utilisation of the capacity in units under the control of National Textile Corporation and its subsidiary corporations.

2. The Joint Bi-partite Committee are being set up at the subsidiary level which will play a watch-dog role besides the following functions:—

(1) To ensure higher production, productivity and quality control and fuller utilisation of capacity in the Units;

(2) Matters relating to planning and achieving production targets;

(3) Development of skills of workman and adequate facilities for training;

(4) Awarding of rewards for valuable and creative suggestions received from workers;

(5) Optimum use of raw materials and quality of finished products;

(6) General Health, Welfare and safety measure; and

(7) Ensuring that the working of the mills in all its aspects is on satisfactory lines.

3. After gaining experience of the working of the National Bi-partite Body and Joint Bi-partite Committees, proposal to set-up shop floor level Bi-partite Committees will be considered.

4. One representative of workers on each of the Board of National Textile Corporation (South Maharashtra) Ltd. and National Textile Corporation (North Maharashtra) Ltd., is already functioning.

5. As regards the introduction of the system of built-in incentive on the wage structure, the matter is still under examination.

[Ministry of Commerce U.O. No. 45012/2(vi)/75-NTC,
dated 2-2-1976]

Comments of the Committee

Please see paragraphs 1.23 to 1.26 of Chapter I of the Report.

Recommendation Serial No. 46 (Paragraph 12.10)

The Committee also recommend that if at any time, as a result of rationalisation, retrenchment of labour becomes inevitable, it must be ensured that the workers are paid their statutory compensation and other dues and are also assisted in rehabilitating themselves.

Reply of Government

The recommendation has been circulated to all the Subsidiary Corporations for necessary action.

[Ministry of Commerce U.O. No. 54012/2(vi)/75-NTC, dated 2-2-1976]

CHAPTER III

RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF GOVERNMENT'S REPLIES

Recommendation Sl. No. 6 (Paragraph 3.25)

The Committee note that there has been an increase in the staff strength in the Headquarters of the Corporation from a mere 17 on 31st March, 1969 to 156 on 31st March, 1974. The Committee are informed that in the initial stages the role of the Corporation was only to supervise the working of the Mills and to provide finance for them. However, from April, 1971 onwards, the NTC was also entrusted with the task of directly managing some mills. The Committee also note that the number of mills under Government management increased from 16 in 1967-68 to 103 in 1973-74. Consequently the Corporation had to strengthen the staff by recruiting more persons. The Committee understand that with the setting up of the subsidiary corporations the regional offices of the Corporation have been wound up. The Committee feel that in the interest of efficient management, the headquarters of the Corporation should be a compact unit and with the setting up of subsidiaries there would be devolution of functions. The headquarters should give a lead by shedding avoidable functions and keeping staff to the barest minimum in the interest of a compact and efficient organisation.

Reply of Government

After the nationalisation of 103 sick textile undertakings, there has been a reorganisation of the National Textile Corporation. It has been converted into a holding company with nine Subsidiary Corporations. The responsibility of the holding company is to ensure that the Subsidiaries are run successfully in order to achieve the objectives of nationalisation.

2. The main functions and responsibilities of the holding company are:—

(i) Spell out the objectives and translate them into goals for the different operational areas.

(ii) Evolve the policies that will guide the action of all concerned in the set up towards achieving the objectives and interpret the same for them.

(iii) Set targets|norms (financial and operational) for performance and plan for facilities and services necessary for achieving the targets.

(iv) Evolve modernisation and expansion schemes and take follow-up action for implementation and assess achievements against targets fixed.

(v) Help the Subsidiaries by continuously evolving development programems aimed at making the optimum use of available resources and bringing about the technological as well as managerial break through in the different functional areas of the operation.

(vi) Promote research with a view to improving the level of technological and managerial skills employed in the various spheres of operation.

(vii) Review periodically the progress achieved in attaining the objectives and take corrective action wherever and whenever necessary.

(viii) Translate into action the policy directives laid down by Government from time to time.

(ix) Assist the Government and offer necessary advice in the formulation and implementation of Government policies from time to time.

(x) Render account to the Government regarding the functioning of the nationalised sector of the textile industry.

3. With this role in view, a study was made regarding the requirements of staff. It was felt that it would be necessary to have five Divisions viz., Technical, Finance, Personnel & Coordination, Secretarial and Legal and Marketing each under a full time Director for effective performance of the Corporation. Detailed personnel requirements of the middle and lower level of management were carefully assessed and placed before the Board of Directors of

the Corporation in February 1975. The Board of Directors considered the proposals and appointed a Sub-Committee to further go into the staff requirements of the holding company. After taking all factors into account the re-organisation of the N.T.C. was approved by the Board of Directors in May 1975. This re-organisation is the result of a carefully drawn plan with a view to effecting greater coordination, control and efficient management of the Subsidiary Corporations. In spite of the increase in the numerical strength, which in view of the greater responsibility was considered necessary, the present set up of the Corporation retains its compact nature and is function based and efficiency oriented.

4. The roles of N.T.C. and its Subsidiaries have clearly been spelt out and are complementary to one another. The Subsidiaries are allowed to function with an example measure of autonomy and initiative within the frame work of the principles and guidelines embodied in their Articles of Association and the directives on board policy matters by the Govt./Holding Company from time to time.

[Ministry of Commerce U.O. No. 54012/2(vi)/75-NTC, dated 14-3-76].

Recommendation Serial No. 11 (Paragraph 4.28 to 4.31)

The Committee note that the total installed capacity of the 103 mills, in terms of spindleage and loomage, is about 16 per cent and 22 per cent respectively of the total installed capacity of the textile industry in the country. The Committee further note that during the Fifth Plan the total requirement of machinery for modernising the sick mills would be of the order of Rs. 100 crores. The Committee are informed that the Government managed mills had placed orders for machinery worth Rs. 3 crores upto March, 1972, about Rs. 8 crores during 1972-73 and about Rs. 10 crores during 1973-74 for carrying out the first phase of modernisation out of which machinery worth Rs. 10 crores had so far been received and installed. It was represented to the Committee, during evidence, that the main difficulties faced by the Corporation related to the delivery periods, escalation in prices, the quantum machinery manufactured and the arrangement of distribution between the government managed mills and the private sector mills.

The Committee also note that at the 1972 level the installed capacity available with the textile machinery manufacturers was for machinery worth Rs. 117 crores against which the production in 1972-73 was around Rs. 27 crores and in 1973-74 Rs. 40 crores. The utilisation was expected to reach level of Rs. 70 to 80 crores in 1974-75.

The Committee understand that large orders were placed by the private sector to take advantage of certain tax concession extended by Government due to which the machinery manufacturers had orders booked for a period of delivery covering 3 to 8 years, *i.e.* upto 1980-81.

During evidence it was stated that a High Powered Committee has been appointed to go into the problems with the textile machinery manufacturers and when that Committee finalises its report, there will be improvement in this record. The Committee however, understand that this High Powered Committee was not appointed by Government but on the initiative of ICMF.

Reply of Government

The position has been explained in the replies of the Government in respect of paragraph 4.32 of Recommendation No. 11 and Paragraph 4.33 of Recommendation No. 12.

[Ministry of Commerce U.O. No. 54012/2(vi)/75-NTC, dated 27-2-1976]

Recommendation Serial No. 11 (Paragraph 4.32)

The Committee view with concern the existence of such large unutilised capacity with the textile machinery manufacturers and recommend that Government should investigate the causes of the unutilised capacity and explore ways and means of utilising the capacity specially in the interest of getting expeditiously textile machinery for the NTC Mills.

Reply of Government

Underutilisation of capacity in textile machinery industry has been primarily due to the lack of sustained demand from the textile mill industry which in turn is linked up with the lack of adequate finances for rehabilitation/modernisation purposes with the textile mills. Apart from that, the energy crisis during 1973-74 had caused for a brief spell certain difficulties in obtaining imported raw materials and components and the prices of such raw materials and components had also gone up in a substantial manner. The machinery manufacturers also had certain difficulties in obtaining right type of indigenous raw materials in adequate quantities and in time. A system of regular monitoring was introduced in 1973 by the Department of Heavy Industry in order to rationalize the production programme and ensure supply of critical inputs in time. As a result, production went up in a substantial manner from Rs. 30 crores in 1972 to more than Rs. 70 crores during 1974. Right now the problem, however, is the inadequate financial resources with the textile mills as well as inadequate refinancing facilities from the Industrial Development Bank of India. The question of utilisation of capacity in the field of textile machinery industry is as such directly contingent on the availability of finances with the textile mills in order to implement their modernisation, balancing and replacement programmes and once this aspect is taken care of, the textile machinery industry would be in a position to meeting bulk of the requirements of the textile mills including those under the National Textile Corporation Government have decided that a separate cell should be opened in the IDBI to devote exclusive attention to the cases of textile mills for loans for modernisation and rehabilitation. This arrangement is expected to be of considerable help to the textile mills in arranging finances for buying textile machinery.

[Ministry of Commerce U.O. No. 54012/2(vi)/75-NTC, dated 2nd Feb. 1976]

Recommendation Serial No. 12 (Paragraph 4.33)

The Committee also note that the Corporation has given certain suggestions in regard to the supply of textile machinery, important amongst which are that Government should insist on price discipline on textile machinery manufacturers for a period of 3 years w.e.f. 1974-75 and 25 per cent of the total production should be earmarked for allotment to the Government managed mills. The Committee feel that the NTC cannot succeed in its objectives unless Government evolve a total national textile policy in which the working of NTC is properly coordinated and dovetailed including giving priorities in the quota of textile machinery manufactured by the existing textile machinery manufacturers in the country.

The Committee recommend that Government should take an early decision about instituting price discipline on the textile machinery manufacturers and also ear-making a fixed percentage of the machinery in favour of Government managed mills.

In view of the difficulties experienced by the Corporation in the procurement of textile machinery from the private sector, Government may also consider utilisation of the already available unutilised capacity in the public sector machinery manufacturing units like Hindustan Machine Tools, Heavy Engineering Corporation etc. for the manufacture of textile machinery required for NTC mills.

Reply of Government

In evolving national textile policy, the working of the nationalised sector of the textile industry under the NTC and its peculiar problems are kept in view. Effective demand for textile machinery is conditioned by the financial position of textile mills. However, considering the pressing need for rehabilitation and renovation of the nationalised textile mills, a programme costing Rs. 175 crores has been drawn up by nationalised textile mills Programme with a financial content of Rs. 52.13 crores has already been approved and is under implementation. Machinery worth about Rs. 20 crores has been received and installed up to the end of September '75. In recent times there has been no difficulty in the supply of textile machinery and no need has been felt to prescribe priorities for supply of machinery for nationalised textile mills. However, the Textile Machinery Manufacturers Association are willing to adhere to any scheme for supply of machinery on the basis of priorities evolved by the Government.

As regards the price discipline, a voluntary agreement regarding formula for price adjustment has already been evolved by a Joint Committee constituted by the Office of the Textile Commissioner and consisting of the representatives of the textile machinery industry and the textile mill industry (private sector, NTC and the Co-operative sector). Government are trying to ensure that the various parties associated with this agreement adhere to the agreement.

Regarding the utilisation of the available unutilised capacity in the public sector machinery manufacturing units like HMT, HEC etc. for the production of textile machinery, there does not seem to be any possibility. The heavy engineering units which are being looked after by the Department of Heavy Industry are engaged in the manufacture of items which are quite different from the textile machinery items and it would not be possible for them to divert any unutilised capacity for the production of items of textile machinery. Moreover, the Existing installed capacity for textile machinery production is not being fully utilised, and in that context there is no question of other manufacturers diversifying into this field.

[Ministry of Commerce U.O. No. 54012/2 (vi) /75-NTC, dated 2nd Feb. 1976].

Recommendations Serial Nos. 13&14 (Paragraphs 5.7 and 5.9)

The Committee note that under the cotton purchase scheme of the Corporation, cotton is purchased by the Chief Executive Officers of the mills who are Constituted Attorneys of NTC and transferred to the mills at cost from time to time. Cotton is purchased without calling for tenders from a list of approved suppliers to whom intimation is given whenever cotton is required and they send samples along with their rates.

The Committee also note that the Action Committee in their Report on NTC have suggested that in the purchase of cotton, there will have, necessarily, to be close consultation between the buying organisation and the mill management to make sure that the quality of cotton bought was acceptable to the mills. They have also suggested that there should be a Central Adviser (Purchases) for assisting the Board in formulating central policies and guidelines and should give general advice to the Board on price trends in India and abroad and policies and purchases of cotton from organisations like the CCI of cooperative bodies of farmers.

Reply of Government

The position has been explained in the reply of Government in respect of paragraph 5.8 of Recommendation No. 13 and paragraph 5.10 of Recommendation No. 14.

[Ministry of Commerce U.O. No. 54012/2 (vi) /75-NTC, date 27-2-76].

Recommendations Serial Nos. 13 & 14 (Paragraph 5.8 and 5.10)

A Committee consisting of the Chief Executive Officer, Financial Adviser to the mill, Cotton Selector, Production Manager and others concerned scrutinises the samples and the rates and finalises the orders. The Committee are informed that this procedure is followed, as according to the Corporation all merchants are not able to supply the quality of cotton required by mills and the reliability, integrity and financial stability of the supplier are the most important considerations for selecting a supplier. The Committee are, however, not sure as to how far under the present procedure the purchases have been made at most competitive rates. The Committee recommend that the working of the system of purchase should be critically reviewed by an expert committee consisting of Technical and Financial experts to assess as to how far the system has enabled the Corporation in procuring cotton at economic rates. The Committee also recommend that the Corporation should ensure that the information about the quality and the prices at which cotton is purchased by the Chief Executive Officers of the mills is also communicated to the Subsidiaries and the Headquarters of the Corporation so that a central watch may be kept about the quality and rates of cotton purchased by mills in the same region|area.

The Committee hope that Government/Corporation would take an early decision on the recommendations made by the Action Committee in order to ensure that the cotton is purchased for the N.T.C. mills at the right time, right place and at economic prices.

Reply of Government

In order to examine these recommendations in detail and also to formulate an overall policy with regard to the purchase of cotton from various sources viz. Cotton Corporation of India, Maharashtra State Co-operative Marketing Federation and Private Trade, the Board of Directors of N.T.C. approved the appointment of a group under the Chairmanship of Dr. Seshadri, Director (Technical) National Textile Corporation. Action in this connection has already started and a meeting of the group was held at Bombay. Detailed data about the purchases made by the Subsidiaries from various sources is being collected. After getting these details, group will again meet and finalise the report.

Further, it has recently been decided that a sizeable part of NTC's requirement during the current year will be met by Public Sector agencies in the CCI&E the Maharashtra State Co-operative Federation.

In order that there is greater co-ordination between the two corporations the M.D. of Cotton Corporation of India has been appointed as one of the Directors on the N.T.C. Board. The MD., N.T.C. is already a member on the Board of the Cotton Corporation of India.

[Ministry of Commerce U.O. No. 54012/2(vi)/75-NTC Dt. 30-12-75]

Recommendations Serial Nos. 23 & 24 (Paragraphs Nos. 6.46 to 6.48)

The Committee are informed that the capacity utilisation in the NTC mills in the first two shifts in spinning as well as weaving is of the order of 74 per cent to 76 per cent (spinning) and 84 per cent (weaving) as compared to the national average of 74 per cent to 76 per cent (spinning) and 80 per cent to 84 per cent (weaving), in 1972 and 1973. In the third shift, however, while the capacity utilisation in spinning section of the NTC mills at 67 per cent compares favourably with the national average of 68 per cent to 70 per cent, in weaving section, the performance of the NTC mills is as low as 26.7 per cent as compared to the national average of 44 per cent to 52 per cent in 1972 and 1973. The reasons for low utilisation of capacity in the third shift are stated to be (i) that the machines used for making the yarn have got to be improved; (ii) that the third shift of weaving in most of the mills is on automatic looms whereas that is not the case in the NTC mills; and (iii) that the NTC mills do not have balancing equipment and preparatory machines for the third shift. The Committee understand that the NTC is trying to increase the number of automatic looms as part of the modernisation programme in order to increase the capacity utilisation in the third shift also. The Committee stress that the installation of balancing equipment, preparatory and automatic looms, etc. as part of the modernisation programme, should be expedited so that the capacity utilisation in the third shift of NTC comes up at least to the national level.

The Committee are glad to note that with implementation of the first phase of modernisation programmes, the machine productivity of the composite mills has gone up from 60—65 per cent to 75—85 per cent and in the case of certain mills at Tamil Nadu, which are working for 7 days a week, the machine productivity has gone up as high as 100 per cent to 125 per cent.

The Committee would like the Corporation to take similar concerned measures for other mills also, as per a carefully drawn out programme.

Reply of Government

In order to achieve this objective, the Subsidiaries were requested to prepare crash modernisation programme. Most of the Subsidiaries have done so and the programmes are under examination in the NTC. This aspect is regularly reviewed at the quarterly meetings of the Chairmen-cum-Managing Directors of the Subsidiaries.

Details of the modernisation programmes taken up are given in reply to Recommendation Sl. No. 38.

[Ministry of Commerce U.O. No. 54012/2(vi)/75-NTC, dated 30-12-75].

Recommendation Serial No. 25 (Paragraph No. 6.49)

The Committee are also informed that apart from the lack of suitable machinery, the main constraint in the way of higher utilisation of capacity is the lack of adequate funds. While according to NTC its requirement was to the extent of Rs. 80 crores for working capital, according to the formula, evolved by the Tandon Committee appointed by the Reserve Bank of India, the NTC's requirement of funds from the banking sources is stated to be Rs. 62 crores. The Committee understand that the NTC has got only Rs. 40 crores from the banking system thus leaving a gap of Rs. 40 crores compared to its original estimate and Rs. 22 crores on the basis of the formula of the Tandon Committee. The Committee are surprised to note that while the industry as a whole was given Rs. 500 crores the NTC which constituted 20 per cent of the textile industry got only Rs. 40 crores which was only 8 per cent of the total given to industry, in spite of the fact that it is not in a position to raise funds from other resources. When the NTC approached Government in this regard, it was informed that Government do not give directions to the banks in favour of individual clients. When the NTC approached the banks they wanted the Corporation to give guarantees for the amounts the banks had given to the previous owners of the mills in the pre-takeover period. The NTC could not, however, give guarantees and take over the responsibility for making repayment of the amounts advanced to the previous owner of the mills. The Committee are also informed that a group of 13 mills in the nationalised sector did not get any funds at all from the banks.

Reply of Government

Reply of Government in respect of paragraph 6.50 of Recommendation No. 25 explains the position.

[Ministry of Commerce U.O. No. 54012/2(vi)75-NTC, dated 27-2-76]

Recommendation Serial No. 25 (Paragraph 6.50)

The Committee would, therefore, like Government to look into the difficulties which the NTC mills are facing in regard to the availability of bank finance and find ways and means of providing the Corporation with adequate finances in the interest of better utilisation of the capacity in the nationalised sector.

Reply of Government

The need for providing adequate credit to NTC units to enable them to pursue their production activities is part of the accepted policy and within the constraint of resources and having due regard to the permissible levels of inventory and receivables build-up, banks have been trying to do all that is possible under the circumstances. In this connection it may be pointed out that in the last week of December 1974, Reserve Bank of India had convened a meeting to discuss with the concerned interests the type of steps that might be taken to provide help to the NTC units. In the light of the decisions reached at this meeting, banks were advised that in view of the difficulties expressed by the NTC mills in finalising accounts of the units taken over by it, banks may consider granting reasonable *ad hoc* limits related to the production programme of each mills for a short period to ensure that production of cloth is not hampered Banks were advised that during the transition period of six months (*i.e.* till end of June 1975), they need not obtain BBI's prior credit authorisation, even though the aggregate limits standing in favour of NTC or its subsidiaries may exceed the cut-off point of Rs. 3 crores, for sanctioning the following facilities:—

(i) Temporary limit upto Rs. 25 lakhs to a sick textile mill taken over by the National Textile Corporation for a period not exceeding six months for genuine productive/trade operations. Banks should, however, ensure that the concerned mill is not already enjoying such a temporary facility from any other bank.

(ii) Interim accommodation upto Rs. 25 lakhs to a sick textile mill, pending RBI's prior authorisation for higher limits sanctioned by banks on a regular basis.

(iii) Temporary excess drawing by a sick textile mill, over the sanctioned limit upto 10 per cent thereof or Rs. 25 lakhs, whichever is lower.

2. Further in the month of May 1975 the Finance Minister convened a meeting at which Minister of Industrial Development and Civil Supplies was also present. The question of credit requirements of NTC mills was discussed at the meeting and it was decided to set up a Group consisting of Secretary (Banking), Secretary (Finance) and Secretary (Ministry of Industrial Development & Civil Supplies) to examine the problems of the NTC mills. A Standing Committee of Addl. Secretaries also looks into these problems from time to time. It may be added that the requirements of NTC have to be looked into on the basis of unit by unit analysis and this is the approach being adopted by the banks. It is for each unit to take up its case, supported by relevant/operational data, with its banker and work out an appropriate financing arrangement.

[Ministry of Commerce U.O. No. 54012/2(vi)75-NTC, dated 24-12-75]

Recommendation Serial No. 25 (Paragraph 6.51)

The Committee are informed that due to overall economic considerations, the NTC mills have been able to get only Rs. 33 crores for the modernisation programmmes out of the total budget of Rs. 55 crores and their total requirements of Rs. 156 crores for the Fifth Five Year Plan period, and the Corporation has been holding discussions with the Planning Commission in this regard. The Committee would like Government/Planning Commission to take into account the onerous responsibilities thrown on the Corporation in the wake of nationalisation of sick mills and provide adequate funds through banking system or other financial institutions both towards working capital and for its modernisation programmes.

Reply of Government

Government fully share the anxiety of the Committee for the need of making available adequate funds to the National Textile Corporation for working capital, modernisation, etc. of the nationalised sick textile mills in order to convert them into viable units. Within the resources available, all efforts are being made to make available the funds needed by the Corporation for the purpose. In this connection it may be stated that the entire budget provision for the Corporation for 1975-76, amounting to Rs. 5 crores, has already been released. In addition, an amount of Rs. 43.71 crores has been sanctioned to the Corporation for working capital margin, modernisation and marketing division.

[Ministry of Commerce U.O. No. 54012/2(vi)/75-NTC, dated 19-1-76].

Recommendation Serial No. 27 (Paragraph 7.4)

The Committee learn that there was no costing system in some of the mills taken over by NTC and in some others the system followed was purely *ad hoc*. The Committee are informed that the NTC is fully conscious of the need for having a well regulated costing system and had initiated action to introduce the system in all its mills in about 2 to 3 months time (*i.e.*, by the end of April, 1975). The Committee cannot over-emphasise the fact that a sound costing system is a *qua non* without which a mill cannot work out the cost of each stage of the process, effect economies wherever necessary and increase productivity. For this purpose, the Committee would like the Corporation to work out the standard norms both in terms of quantities and expenditure under the various elements and subheads of costs. In each process so that variation from such norms could be analysed and measures taken to effect economies wherever necessary. The Committee suggest that the Corporation can profitably undertake a study of the costing system in vogue in comparable private sector units to examine the adoption of similar system in the NTC mills. The Committee hope that, as per the assurance given during evidence, a well regulated costing system on scientific lines will be introduced and implemented in all the mills by the end of April 1975.

Reply of Government

The matter was considered by the Board of Directors of National Textile Corporation. Accordingly a costing/accounting manual has been prepared and circulated to all the NTC mills. The manual outlines the system of accounting/costing and Inventory control to be adopted by the mills.

The comments received from some of the mills on the accounting/costing manual are being studied. It will be finalised at a meeting of F.A. & C.A.Os of Subsidiary Corporations, proposed to be called shortly and introduced with effect from 1st April, 1976.

[Ministry of Commerce U.O. No. 54012/2(vi)/75-NTC dated 30-12-75].

Recommendation Serial No. 30 (Paragraph 8.17 and 8.18)

The Committee note that the NTC mills are producing saleable yarn and as there is a great shortage of yarn in the country to feed the decentralised sector of handloom and powerloom, these mills are stated to have always endeavoured to supply yarn predominently to these sectors. During 1971 and 1972, these mills, by and large, sold their yarn within the country through dealers/area agents of each of the States but in March, 1973, the Textile Commissioner issued an order on price and distribution control of yarn under which the yarn was to be distributed through the prescribed channels. When the control order was issued, some private sector mills and a number of yarn merchants filed writ petitions in the various High Courts and got stay orders but the NTC mills did not resort to any such action and abided by the Government orders regarding control on price. As a result, the private mills sold the yarn at open market price which was higher than the controlled price fixed by the Textile Commissioner while the NTC mills could sell it only at the controlled price and thus lost about Rs. 9 crores on this account. The Committee regret to note that the law abiding public sector mills had to incur such a heavy loss while the private sector mills reaped profits in the sale of yarn at open market prices. The Committee are not sure whether the yarn produced by the NTC mills has been purchased by private merchants at controlled prices and sold at open market prices through the private sector mills thus making heavy profits at the expense of the public sector mills.

This was an untenable situation when law abiding agencies suffered and those which challenged the laws prospered. The Committee feel that no one who defies an order given in public interest should be allowed to get away with unconscionable profit. The Committee also feel that Government should not have kept silent over this issue but should have come to the rescue of the NTC mills and taken steps to save these mills from a loss of Rs. 9 crores. They hope that a lesson will be learnt from it and such a situation will not be allowed to arise in future. The Committee recommend that NTC should consider the feasibility of selling the yarn directly to the mills instead of through private merchants.

Reply of Government

NTC is willing to sell yarn direct to the weavers and to their societies. The main difficulty in selling the yarn to weavers and their societies is their inability to make payment in cash. The financial position of NTC mills is also not good and therefore NTC mills are not in a position to give yarn on credit. On an experimental basis, by an arrangement with COOPTEX handloom products which do not directly compete with NTC mills products are being purchased by the marketing division of NTC from them. These products are being sold alongwith other NTC products through the retail outlets organised by the NTC. The payment for all these handloom products is proposed to be made to the extent of 65 per cent in the form of yarn from NTC mills and the balance 35 per cent in cash. The cash component will cover the conversion charges. This will ensure that these handloom products will have ready outlets through the retail organisation of NTC and at the same time NTC yarn will be available to the COOPTEX directly. If this experiment succeeds then it is proposed to extend it and enter into similar arrangements with other organisations of handloom weavers.

[Ministry of Commerce U.O. No. 54012|2(vi)|75-NTC dated 9-1-1976 and 27-2-1976].

Recommendation Serial No. 42 (Paragraph 11.6)

The Committee note that the inventory of market yarn with the mills has arisen from 1.77 million kgs. in march, 1973 to 2.51 million kgs. at the end of March, 1974 and 4.19 million kgs. by the end of September, 1974 thus indicating that the inventory of yarn has almost doubled itself during March and September, 1974. The Committee see no reason why there should be accumulation of market yarn with the Corporation while there is a shortage of yarn in the decentralised sector. The Committee feel that the Corporation should arrange to meet the needs of yarn in the decentralised sector and reduce its inventories keeping in view their own requirements.

Reply of Government

With the sluggishness in the textile trade during the last year or so there has been accumulation of stocks especially of yarn, with the textile industry as a whole. The decentralised sector has also been facing difficulties as a result of slow movement of their finished product. The prices of yarn have actually fallen to levels comparable with those prevailing in 1973, but even at these prices there has been a marked fall in demand from the decentralised sector. There is no scope for NTC mills to further reduce their prices as it will lead to more losses.

[Ministry of Commerce U.O. No. 54012/2(vi)/75-NTC, dated 30-12-75].

Recommendation S. No. 42 (Para. 11.7)

The Committee also find that the stocks of cloth has increased from 98.64 million metres in March, 1973 to 122.89 million metres in March, 1974 and 150.34 million metres in September, 1974.

Reply of Government

Reply of Government in respect of paragraph 11.8 of Recommendation No. 42 explains the position. Distributive net-work of NTC is being expanded as indicated in Govt's reply on paragraph 8.8 of Recommendation Serial No. 29.

[Ministry of Commerce U.O. No. 54012|2(vi)|75-NTC, dt. 27-2-76]

Recommendation Sl. No. 42 (Paragraph 11.8)

The Committee recommend that the Corporation should take steps to reduce its inventory of cloth by diverting the stocks to the various sales points according to the demands of the consumers for the different varieties of cloth at such points. The Committee also recommend that production of cloth should be regulated on the basis of feed back information from the subsidiaries about the demand for the particular varieties and types of cloth to avoid excess inventories.

Reply of Government

As soon as the wider net work of sales being organised by NTC is accomplished, the proper feed back will be given to the mills for their production planning.

[Ministry of Commerce U.O. No. 54012/2(vi)/75-NTC, dated 9-1-1976]

NEW DELHI;
April 23, 1976.
Vaisakha 3, 1898 (*S*)

NAWAL KISHORE SHARMA,
Chairman,
Committee on Public Undertakings.

APPENDIX

(*Vide* para 5 of Introduction)

Analysis of action taken by Government on the recommendations contained in the Sixty third Report of the Committee on Public Undertakings (Fifth Lok Sabha)

I	Total number of recommendations made	46
II	Recommendations that have been accepted by Government (*vide* recommendations at Serial Nos. 1, 2, 3, 4, 5, 7, 8, 9, 10, 15, 16, 17, 18, 19, 20, 21, 22, 26, 28, 29, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 43, 44, 45 and 46	35
	Percentage to total	76
III	Recommendations which the Committee do not desire to pursue in view of Government's reply (*vide* recommendations at Serial Nos. 6, 11, 12, 13, 14, 23, 24, 25, 27, 30 and 42	11
	Percentage to total	24
IV	Recommendation in respect of which replies of Government have not been accepted by the Committee	NIL
	Percentage to total	NIL
V	Recommendations in respect of which replies of Government are awaited	NIL
	Percentage to total .	NIL

GMGIPND—LS II—109 LS—26-4-76—1200.

© 1976 BY LOK SABHA SECRETARIAT

PUBLISHED UNDER RULE 382 OF THE RULES OF PROCEDURE AND CONDUCT OF BUSINESS IN LOK SABHA (FIFTH EDITION) AND PRINTED BY THE GENERAL MANAGER, GOVERNMENT OF INDIA PRESS, MINTO ROAD, NEW DELHI.