C P. U. No 93

COMMITTEE ON PUBLIC UNDERTAKINGS (1982-83)

(SEVENTH LOK SABHA)

FIFTY-EIGHTH REPORT

Action taken by Government on the recommendations contained in the Fortieth Report of the Committee on Public Undertakings (Seventh Lok Sabha)

ON

NATIONAL TEXTILE CORPORATION LTD.

MINISTRY OF COMMERCE—DEPARTMENT OF TEXTILE

Presented to Lok Sabha on ....

Laid in Rajya Sabha on ....

सत्यमेव जयते

LOK SABHA SECRETARIAT

NEW DELHI

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INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present this 58th Report on Action Taken by Government on the recommendations contained in the 40th Report of the Committee on Public Undertakings (Seventh Lok Sabha) on National Textile Corporation Ltd.

2. The 40th Report of the Committee on Public Undertakings was presented to Lok Sabha on 23 April, 1982. Replies of Government to all the recommendations contained in the Report were received by 15 and 18 December, 1982. The replies of Government were considered by the Action Taken Sub-Committee of the Committee on Public Undertakings on 16 February, 1983. The Report was finally adopted by the Committee on Public Undertakings on 22 February, 1983.

3. An analysis of the Action Taken by Government on the recommendations contained in the 40th Report (1981-82) of the Committee is given in Appendix.

MADHUSUDAN VAIRALE,
Chairman,
Committee on Public Undertakings.

NEW DELHI;
February 25, 1983
Phalguna 6, 1904

CHAPTER I

REPORT

This Report of the Committee deals with the Action Taken by Government on the recommendations contained in the Fortieth Report (Seventh Lok Sabha) of the Committee on Public Undertakings on National Textile Corporation Ltd. which was presented to Lok Sabha on 23 April, 1982.

2. Action Taken Notes have been received from the Government in respect of all the 31 recommendations contained in the Report. The recommendations have been categorised as follows:—

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

Serial Nos. 1, 3, 4, 5, 7, 8, 10, 11, 12, 15 to 24, 26 to 29 and 31.

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

Serial Nos. 6, 9 and 25.

(iii) Recommendations/Observations in respect of which replies of Government have not been accepted by the Committee:

Serial Nos. 2 and 14.

(iv) Recommendations/Observations in respect of which final replies of Government are still awaited :

Serial Nos. 13 and 30.

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

A. *Institutional Framework*

Recommendation (Serial No. 1) (Para II.1)

4. The Committee had observed that the NTC as a holding company and the owner of the subsidiaries ought to be in a position to have complete control over the subsidiaries and to monitor and appraise their operations competently with a view to guiding and directing them besides co-ordinating their efforts in the interest of economy and efficiency. For this

purpose the Committee had recommended that the holding company should be clothed with adequate powers and its organisation strengthened qualitatively.

5. The Government have in their reply stated that the Articles of Association of the subsidiary companies of the NTC empowered the Holding Company to issue such directives or instructions as may be considered necessary in regard to the finances, conduct of business and affairs of the Company and the subsidiary company was obliged to comply with and give immediate effect to such directives or instructions. The Holding Company had now drawn up a scheme which enjoined that its functional directors shall visit at least one subsidiary in a quarter for the purpose of in-depth study of the operations of the subsidiary and take decision/action considered necessary for improving the functioning of the subsidiary.

6. The Committee take note of the scheme which enjoins on the functional Directors of the Holding Company to visit each subsidiary once in a quarter. That does not however meet fully the Committee's point; they had desired that the organisation of the Holding Company should be qualitatively strengthened, so that it was in a position to effectively direct, monitor and appraise the affairs of the subsidiaries. The Committee trust that the scheme reportedly being worked out to make the NTC truly a holding company will be finalised and brought into operation early and in this process the holding company will be qualitatively strengthened.

Recommendation (Serial No. 2) (Para II. 2)

7. The Committee had recommended that in order to exercise meaningful control over the subsidiaries the holding company (NTC) ought to have power to make top appointments in them. Though this power vested with the holding company under the Articles of Association of the subsidiaries, in reality government made these appointments applying the BPE guidelines in toto to the subsidiaries of a holding company. In the opinion of the Committee the powers of the government in relation to a subsidiary should be exercised by the holding company which should be accountable to government and Parliament through the Committee on Public Undertakings for its commissions and omissions.

8. The Government have in their reply stated that while the appointing authority for the top post in a Subsidiary Corporation is the Holding Company, the selection is made through the Public Enterprises Selection Board and approved by the ACC. In the PESB Selection Committee, the Chairman and the Managing Director of the Holding Company are invariably associated. It is, therefore, felt that the Holding Company has a prominent

role to play in the selection of the top posts in the Subsidiary Corporations. As regards the appointment of functional Directors in the Subsidiary Corporations, NTC (Holding Company) is even now the authority to make selection and appointment thereof after following the prescribed procedure.

9. The Committee are of the view that only appointments to the Board of Holding Company directly accountable to Government need to be approved by the Appointments Committee of the Cabinet. The appointments to the Boards of Subsidiaries ought to be approved by the Board of the Holding Company, if necessary, on the basis of recommendations of Public Enterprises Selection Board.

B. *Subsidiary Companies*

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

10. Dealing with the question of organisation of subsidiaries of NTC, the Committee had observed that the workload did not appear to have been evenly distributed among the subsidiaries. Taking note of the point made by the Managing Director, NTC, that a serious thinking had to be done in regard to reorganisation of the subsidiaries, the Committee had recommended that whatever the basis, regional or State-wise, any reorganisation of the subsidiaries should be such as to ensure efficient conduct of business.

11. The Government while accepting the recommendation had stated that it would be kept in view as and when reorganisation of the subsidiary corporations was considered.

12. The Committee would like that reorganisation of subsidiaries with a view to rationalising the distribution of workload among the various subsidiaries be undertaken early in the interest of proper functioning of the subsidiaries.

C. *Marketing and Sales Organisation*

Recommendation (Serial No. 12) (Para II.12)

13. The Committee had observed that the marketing and sales functions had not been well organised in the NTC Companies. There were many lacunae in the system with the result that price realisations could not be considered reasonable. Moreover there was very little control by the holding company over sales policies of the subsidiaries, though there was a marketing division under it. The Committee felt that it was the responsibility of the holding company to remedy the situation and in that context it had recommended that the marketing division should be headed and manned by competent and well-qualified persons.

14. The Government had stated in their reply as follows:

> "Steps are being taken to increase sales of NTC products to Government Departments, Public Sector Organisations etc. and to increase exports so that bulk of NTC products could be sold minimising dependence on conventional channels.
>
> CMDs have been directed to take measures in regard to aggressive marketing and better inventory management. A fulfledged Director (Marketing) has been appointed in the Holding Company to gear up the marketing activities and also to formulate a marketing strategy."

15. The Committee have been informed that apart from directions issued to the CMDs of subsidiaries for taking measures in regard to aggressive marketing and better inventory management, a fulfledged Director (Marketing) has been appointed in the Holding Company. The Committee wish to point out that there is nothing new in this, as the functional Director (Marketing) was already in position when the Committee examined and reported on the holding company. What the Committee recommended was that with a view to gear up the marketing activities and formulating a marketing strategy, a person well-versed and qualified in the marketing field should head the Marketing Division and that the Division should also be manned by competent and well qualified persons. The Committee hope that this will be ensured after reviewing the position.

D. *Marketing Division*

Recommendation (Serial No. 13) (Para II.13)

16. The Committee had made the following observation in regard to the Marketing Division:—

> "The Marketing Division of the holding company is more or less confining itself to running the retail outlets which do not account for much of sales and which are running into serious losses. This is a sad commentary on the Marketing Division. The Committee recommend that the holding company should rationalise the system of selecting and appointing wholesalers/agents by the subsidiaries and review the system periodically as at present there appears to be scope for malpractices. Though it may not be possible to organise direct central marketing as such, all indents/contracts for government and other public sector supplies should be handled centrally by the holding company. There should also be centralised market intelligence set up. The Holding Company should ensure that needless competition between the NTC companies is avoided and the transport cost is minimised."

17. The Government have in their reply stated—

"The working of NTC (Holding Company) and its nine subsidiaries was reviewed in detail in the meeting convened by the Commerce Minister on 13/16 October, 1982, which was attended by the Managing Director and other functional Directors of the Holding Company and Chairman-*cum*-Managing Directors of all the subsidiaries. Among other things, it was felt that there was great scope for better sales realisation of NTC products so as to improve the working results of NTC. The Holding Company was, therefore, asked to expedite formulation of marketing strategy."

18. The Committee have noted the reply of the Government, which only mentions about the follow-up action arising out of the Commerce Minister's review meeting held on 13 and 16 October, 1982. There is no indication of the concrete action taken on the recommendations of the Committee. The Committee would await reply from the Government in this regard.

E. *Costing*

Recommendation (Serial No. 14) (Para II.14)

19. Expressing their dissatisfaction over the unsatisfactory nature of the cost control mechanism in the NTC mills, the Committee had recommended that for an effective control a system of standard costing for each variety on a per loom shift basis for the purpose of comparison with the actual cost and the market realisation might be introduced. The Committee had also recommended that the Holding Company should evolve a system of monitoring and reviewing the costs and prices periodically.

20. The Government have, in their reply, stated as follows:—

"It has been found difficult to work out standard costing on account of the following:

1. Cotton cost which contitutes around 45 to 50 per cent of the total production cost varies from month to month.
2. Machinery available with the NTC mills is not of standard types.
3. Labour element varies from mill to mill.
4. Sale price fluctuates every now and then and depends mainly upon market trends.

Unless these factors are brought under control and on uniform basis, the expenditure/efforts involved in working out deviation between standard costing figures and actual figures may not commensurate with the benefits that could be obtained by adopting this system. However, Holding Company is strengthening its costing Department to take various important items of work including review of costing system, cost parity status, inter-mill comparisons of mixing cost, productivity and sales realisation etc."

21. **The Committee would like to reiterate their recommendation and suggest that the system in successful private sector mills should be studied and at least actual costs and prices on per loom basis for each variety of cloth should be worked out by the NTC mills to enable judicious management decisions.**

F. *Purchases by Government*

Recommendation (Serial No. 16) (Para II.16)

22. The Committee have been informed that their suggestion to the effect that the question of purchasing from the NTC all cloth to meet the entire requirement of Government on a cost plus basis, subject to verification of the cost by the Bureau of Costs and Prices or the Ministry of Finance might be considered seriously, was already under active consideration of the Ministry of Commerce in consultation with the Ministries of Supply and Finance.

23. **The Committee desire that decision in the matter should be expedited.**

G. *Modernisation*

Recommendations (Serial Nos. 20, 21 and 23) (Paras II. 20, 21 and 23)

24. The Committee had observed that the programme of modernisation in the NTC mills had not only been taken up belatedly but it had not been conceived properly. In this connection, they had strongly felt that a selective approach to modernisation was called for and that mills from all regions could have been selected for modernisation fully on priority basis which could still have made for balanced regional development. They had also indicated how the priority should be assigned. Further they had objected on grounds of accountability, and expediency to the modernisation and expansion programme being split up mill-wise. According to them programme of modernisation of each subsidiary should be prepared and dovetailed into the overall plan for the nationalised textile industry. Each subsidiary's programme should then be viewed as one scheme for the purpose of sanctioning at the Government level.

25. In their reply the Ministry has intimated that these recommendations have been noted for compliance.

26. The Committee are glad to note the acceptance by the Government of these recommendations regarding selective modernisation and viewing the modernisation and expansion programme as one scheme. The Committee have no doubt that implementation of the recommendations will have far better effort on the health of the nationalised textile industry. The Committee therefore suggest that the modernisation and expansion programme should be recast and got cleared for early implementation on the lines indicated by them.

Chapter II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (Sl. No. 1) (Para II.1)

Under the Sick Textile Undertakings (Nationalisation) Act, 1974, 103 textile mills were nationalised and vested in the National Textile Corporation. The Act also empowered the NTC to form subsidiary corporations under the Companies Act, 1956. There are at present 9 subsidiary companies. The NTC as a holding company and the owner of the subsidiaries ought to be in a position to have complete control over the subsidiaries and to monitor and appraise their operations competently with a view to guiding and directing them besides coordinating their efforts in the interests of economy and efficiency. For this purpose it should be clothed with adequate powers and its organisation strengthened qualitatively. The Chairman, NTC informed the committee that a programme was being worked out to make the NTC truly a holding company. The Committee would await the outcome.

Reply of Government

The Articles of Association of the subsidiary companies of the NTC empower the Holding Company to issue such directives or instructions as may be considered necessary in regard to the finances, conduct of business and affairs of the Company and the subsidiary company is obliged to comply with and give immediate effect to such directives or instructions. The Holding Company has drawn up a scheme which enjoins that its functional directors shall visit at least one subsidiary in a quarter for the purpose of in-depth study of the operations of the subsidiary and take decision/action considered necessary for improving the functioning of the subsidiary. (Department of Textiles O.M. No. 23012/2/82-NTC dated 15-12-1982).

Comments of the Committee

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

Recommendation (Sl. No. 3) (Para II. 3)

Incidently, the holding company could nominate its full-time Directors as part time members of the Boards of the subsidiaries. Further, as agreed by the Textile Secretary, the Chairman-*cum*-Managing Directors of subsidiaries should be associated with the Board of the holding company in rotation while reconstituting the Board. These would make for a two way relationship between the holding and subsidiary companies for their mutual benefit.

Reply of the Government

NTC Holding Company has already nominated its full-time Directors as part-time members of the Boards of the Subsidiaries.

As regards the other recommendation, it is left that in matters of day-to-day management of the subsidiary companies, there is no central direction from the Holding Company. The participation by Chief Executives of the Subsidiaries in decision-making by the Holding Company may have very little mutual advantage. The functions of the Subsidiaries are separate and distinct and the need for interaction from below, at the top, is not all that great. However, it was suggested to the NTC that without appointing CMDs of the Subsidiaries on the Board, it would be a healthy practice to invite one or two of them at every Board meeting when the affairs of their units are discussed at some length. NTC has implemented this suggestion for associating one of the CMDs of the Subsidiaries in the meetings of the Board of Directors of the Holding Company so as to enable the Holding Company to know the problems and difficulties faced by the Subsidiaries in day-to-day working of the mills to provide counsel and guidance in the proper functioning of the subsidiaries. (Department of Textiles O.M. No. 23012/2/82-NTC, dated 15-12-1982).

Recommendation Sl. No. 4) (Para II.4)

The Committee are unable to find any sound logic in the organisation of the subsidiaries. The jurisdiction of some of them is unwieldy, e.g., NTC (West Bengal, Assam, Bihar and Orissa) and NTC (Andhra Pradesh, Karnataka, Kerala and Mahe). The workload does not appear to have been evenly distributed among the subsidiaries. As admitted by the Managing Director, NTC, a serious thinking has to be done in regard to reorganisation of the subsidiaries. The Committee hope that whatever the basis, regional or State-wise, any reorganisation of the subsidiaries should be such as to ensure efficient conduct of business.

Reply of the Government

The recommendation of the Committee will be kept in view while considering reorganisation of the subsidiary corporations. (Department of Textile O.M. No. 23012/2/82-NTC dated 15-12-1982).

Comments of the Committee

Please see paragraphs 10 to 12 of Chapter 1 of the Report.

Recommendation (Sl. No. 5) (Para II.5)

At present there are on the whole 111 textile mills under the NTC, of these mills, 8 are not owned, but managed by the NTC. Government are yet to decide as per a directive of the Supreme Court whether 6 mills belonging to Swadeshi Mills group should continue with government. The future of the remaining two mills, *viz.*, Laxmirattan Cotton Mills and Athertou Mills, Kanpur taken over in 1976 is also yet to be decided. The Committee desire that the nationalisation or otherwise should be decided upon in regard to these two mills early as any further uncertainty would delay the process of rehabilitation.

Reply of the Government

Laxmirattan Cotton Mills and Atherton West Mills, Kanpur had been taken over pending nationalisation, and action is already in hand to complete the formalities for introducing legislation. (Department of Textiles O.M. No. 23012|2|82-NTC, dated 15-12-82).

Recommendation (Sl. No. 7) (Para II.7)

As on 31st March, 1981, the total installed capacity of NTC mills was 3.24 million spindles representing 16 per cent of the spinning capacity and 48,180 looms representing 23 per cent of the weaving capacity of the cotton textile industry in the country. The NTC could commission 96 per cent of the spindles and 95 per cent of the looms capacity so far. Only 56 mills have commissioned their installed capacity fully. The commissioned capacity has not also been utilised optimally. The utilisation of capacity has also been on the whole lagging behind that of the rest of the textile industry in the country. The position in this regard is particularly bad in NTC (Delhi, Punjab, and Rajasthan). NTC (Uttar Pradesh) and NTC (West Bengal, Assam, Bihar and Orissa). The production on the whole has been less than the modest target set during 1977-81. The overall production of market yarn and cloth was of the order of 69 m. kgs. and 941 m. metres, respectively during 1980-81. The production is expected to go up to 109 m. kgs. of market yarn and 1050 m. metres of cloth by 1984-85 with the implementation of the modernisation and expansion programme. The Committee feel that with better management and control and selective modernisation as indicated else where, it should be possible to achieve higher level of production earlier than now anticipated. They hope that NTC will gear itself to realise this.

Reply of the Government

As compared to the figures of 1980-81, NTC Mills have shown progressive improvement in capacity utilisation, productivity and production during 1981-82 and it is hoped that the expected increase in these technical parametres of working would soon be achieved by these units. (Department of Textiles O.M. No. 23012/2/82-NTC dated 15-12-82).

Recommendation (S. No. 8) (Para II.8)

The Committee agree with the NTC and the administrative Ministry that subject to fulfilment of social obligation of the nationalised textile industry to make available adequate quantity of controlled and cheap cloth for the common man, the emphasis in regard to production of decontrolled cloth should be to rationalise the product mix reducing verieties and sorts and concentrate on production of these fabrics and yarn which would give better profitability. This rationalisation in so far as cloth is concerned has been not made satisfactorily. This should be done early. The Committee would commend the idea of stepping up manufacture of blended fabrics. Incidentally, the losses of the NTC appear to be solely on account of the production and sale of decontrolled cloth. Unless the NTC companies cut down on cost and improve their sales management, financial viability will be a distant dream.

Reply of the Government

Changes in the product-mix are considered from time to time depending on the market conditions and technical feasibility. In fact, out of the nine subsidiaries, seven subsidiaries have been involved in the production of blended fabrics, for executing the order for supply of terry-cot suiting to the tune of 30 lakh metres to the Defence authorities for Army uniforms, and it is hoped that the NTC mills will be able to produce the blended fabrics for local market also.

In a recent review meeting of NTC and its subsidiaries taken by Commerce Minister, all CMDs were advised to take effective steps to cut down costs and to achieve better sales realisation. (Department of Textiles O.M. No. 23012|2|82-NTC dated 15-12-82)

Recommendation (S. No. 10) (Para II.10)

Considerable reduction in transportation cost of controlled cloth could be achieved if the NTC mills organise their production in such a way that each mill meet as far as possible the demand of adjacent areas. Unfortunately the National Consumers Co-operative Federation inform the NTC companies of the States to which the cloth is to be despatched only at the time of giving despatch instructions. The area-wise requirement should in future be indicated to the NTC by the National Consumers Co-operative Federation every quarter in advance.

Reply of the Government

The National Consumers Co-operative Federation has since agreed to the suggestion of the NTC for indicating along with the demand pattern the State-wise requirement also, and from July-Sept. 1982, production of controlled cloth is being geared up by the NTC mills in such a manner that the transportation cost are minimised subject to the constraints of location of various mills. (Department of Textiles O.M. No. 23012/82-NTC dated 15-12-82)

Recommendation (S. No. 11) (Para II.11)

A scheme for production of cheaper varieties of cloth for augmenting supply of cloth at reasonable prices was made operative from September 1979. Under this scheme, the cloth is made available to the consumers within an all inclusive price uniformally applicable throughout the country. The NTC produced 261 million metres of cloth under this scheme in 1980-81. Considerable losses have been incurred by three out of 5 subsidiaries, who are the major producers. The loss was as high as Rs. 1.16 per metre in NTC (Madhya Pradesh). The Committee desire that the production of cloth under the scheme should be organised in such a way that there is no loss, at least taking NTC as a whole.

Reply of the Government

The ceiling price of cheap cloth has since been raised by 15 per cent, and with this increase it is expected that NTC mills would not incur losses by producing cloth under this scheme in the normal conditions. (Department of Textiles O.M. No. 23012|2|82-NTC dated 15-12-82)

Recommendation (S. No. 12), (Para II.12)

Marketing and sales do not seem to have been organised well in the NTC companies. Prior to 1978 the mills themselves organised their sales. There was very little control by the holding company over sales policies of the subsidiaries, though there was a marketing division under it. According to the guidelines of the holding company, centralised sales committees should be set up at the subsidiary level. These have however not been set up in some companies as yet. The sales are mostly through wholesalers and agents engaged by each subsidiary. Admittedly, there are lacunae in the system with the result the price realisation cannot be said to be invariably reasonable. Apart from the fact that the quality of cloth is not as good as that of private mills, there is also less realisation on account of certain amount of weakness in the sales organisation and distress sales at low price on account of liquidity problems as in the case of NTC (Uttar Pradesh), NTC (Madhya Pradesh) and NTC (West Bengal, Assam, Bihar and Orissa). The Committee feel that it is the responsibility of the holding company to remedy the situation. Its marketing division should be headed and manned by competent and well-qualified persons.

Reply of the Government

Steps are being taken to increase sales of NTC products to Government Departments, Public Sector Organisations etc. and to increase exports so that bulk of NTC products could be sold minimising dependence on conventional channels.

CMDs have been directed to take measures in regard to aggressive marketing and better inventory management. A fulfledged Director (Marketing) has been appointed in the Holding Company to gear up the marketing activities and also to formulate a marketing strategy. (Department of Textiles O.M. No. 23012|2|82-NTC dated 15-12-82)

Comments of the Committee

Please see paragraphs 13 to 15 of Chapter I of the Report.

Recommendation (S. No. 15) (Para II.15)

The percentage of standard cloth manufactured to the total production of NTC is reported to be around 77 per cent. The Committee have been informed that though many of the defects are acceptable in cheaper varieties of cloth, it is not the case with superior varieties. As against a value loss of 3.2 per cent which is the norm of textile industry for all varieties of cloth, the value loss of the NTC is 3.6 per cent. That the value loss should be higher for the NTC despite the fact that more than 75 per cent of the cloth manufactured is of cheaper variety causes concern. The Committee desire that this aspect should be gone into by the Holding Company for making improvement. Incidentally, the Committee noticed that fents and rags constituted 8 per cent of the total sale of the NTC and that the sale is organised through tenders. There is admittedly a possibility of the tenders forming a ring and cornering these at a low price. The Committee desire that as indicated by the Chairman, NTC there should be suitable surprise checks to ensure that the price obtained is reasonable and standard cloth is not sold as fent and rags.

Reply of the Government

As a result of the modernisation NTC mills have gone finer in their cloth production and it is expected that the percentage of value loss would get reduced thereby. As regards sale of fents and rags, each subsidiary has constituted a Sales Committee which fixes the floor prices of different varieties of cloth taking into account the rates prevailing in the markets, Due to 'watch-dog' market intelligence, the chances of collusion of traders is also eliminated to a considerable extent. (Department of Textiles D.M. No. 23012/2/82-NTC dated 18-12-82).

Recommendation SL No 16) Para II.16)

The NTC companies as a whole have been selling to government and public sector undertakings about 6 per cent of the cloth produced. This accounted for about 15 to 20 per cent of the total Government requirement and is valued at about Rs. 20 crores per annum. At times the NTC companies are forced to quote against the DGS&D tenders at a price lower than the cost in order to utilise their capacities. In view of the social obligation of producing cheap cloth undertaken and in view of overall huge losses incurred by the NTC, which are eventually recouped by government, the Committee suggest that the question of purchasing from the NTC all cloth to meet the entire requirement of government on a cost plus basis, subject to verification of the cost by the Bureau of Costs and Prices or the Ministry of Finance, should be considered seriously, of it has not been already done.

Reply of the Government

The suggestion made by the Committee is adready under active consideration of this Ministry in consultation with the Ministries of Supply and Finance. (Department of Textiles O.M. No. 23012|2|82-NTC, dated 18-12-82).

Comments of the Committee

Please see paragraphs 22 and 23 of Chapter 1 of the Report

Recommendation (Sl. No. 17) (Para II.17)

At present the holding company is running 383 showrooms in various parts of the country. The sales are of the order of Rs. 20 crores per annum (overall sales about Rs. 500 crores) and the losses are of the order of Rs. 80 lakhs The services in these showrooms are reported to be not good and the situation of shops is not at the right places. There is also excess employment and recruitment has not been properly done. The Committee agree that if it cannot be made a success it is better to close down these retail outlet to the extent necessary.

Reply of the Government

The recommendation of the Committee has been noted. Government is already seized of the matter and is considering various alternatives *viz.*, whether these retail showrooms should be transferred to the subsidiary corporations according to their geographical locations for better management or close down the losing shops and make others viable, etc. (Department of Textiles O.M. No. 23012/2/82-NTC, dated 18-12-82).

Recommendation (S. No. 18) (Para II.18)

The nationalised sick textile mills wee plagued by old and obsalete equipment and surplus labour Rehabilitation of the mills, therefore, warranted imaginative and vigorous efforts to modernise them and to weed out surplus labour or absorb them productively. The efforts of the National Textile Corporation in this regard were, to say the least, not such as to inspire confidence that the nationalised textile industry could be rehabilitated fully in the near future.

Reply of the Government

No comments. (Department of Textiles O.M. No. 23012/2/82-NTC, dated 18-12-82).

Recommendation (S. No. 19) (Para II.19)

The corporate plan of the National Textile Corporation envisaged initially an outlay of Rs. 250 crores for modernisation and expansion and this outlay was subsequently raised to Rs. 320 crores covering the period from the date of nationalisation to the end of the Sixth Plan (1984-85). As at the end of March 1981 schemes entailing an outlay of Rs. 242 crores have been sanctioned and machinery worth Rs. 145 crores is stated to have been received and installed. While one of the subsidiaries, *vis.*, NTC (Gujarat) has exceeded the target, the others were lagging behind. The achievement has been about 50 per cent or less in the case of NTC (Delhi, Punjab & Rajasthan), NTC (West Bengal, Assam, Bihar & Orissa) NTC (Tamil Nadu and Pondichery), NTC (South Maharashtra) and NTC (Madhya Pradesh). Conceding to some extent that the implementation of the modernisation scheme has been tardy, the Textile Secretary pleaded that in view of the operational problems that cropped up after nationalisation, planned modernisation could be taken up only in 1977-78. However, he agreed that the programme could have been taken up 'a bit earlier'. At this stage the Committee can only express their regret that the most important step in rehabiliating the sick units has been taken belatedly, if not casually.

Reply of the Government

No comments. (Department of Textiles O.M. No. 23012/2/82-NTC, dated 18-12-82).

Recommendation (Sl. No. 20) (Para II.20)

The programme of modernisation has not only been taken up belatedly but it has not also been conceived properly. None of the mills could be said to have been modernised as yet. For instance, as against the estimated requirement of Rs. 3000 per spindle, the amount spent so far is Rs. 300 on an average and the available resources have been spread over the mills thinly. To justify this on the basis that this makes for balanced regional development is a fallacious argument. The Committee feel strongly that the situation called for a selective modernisation and that mills selected from all regions could have been taken up for modernisation fully on a priority basis. This could still have made for ba'anced development. Agreeing with the strategy suggested by the Committee, the Textile Secretary promised to try to phase out the modernisation programme in future, accordingly. The Committee would await the action taken in this regard.

Reply of the Government

Noted for compliance. (Department of Textile O.M. No. 23012/2/82-NTC, dated 18-12-82).

Comments of the Committee

Please See paragraphs 24 to 26 of Chapter I of the Report.

Recommendation (Sl No. 21) (Para II.21)

The Committee would suggest that while taking up modernisation on a selective basis priority should be assigned to instal the balancing equipment badly needed by the mills. Efforts should be concentrated on mills that are making continuously heavy losses, mills that could not commission their installed capacity and mills whose avai'able spindles capacity is not of economic size. However, the Committee do not rule out the need for modernising selected profit making mills to take up production of blended fabrics or otherwise improve the quality of products to make them competitive and to make NTC break even on the whole, early. Incidentally the Committee would urge that renovation of factory buildings, which are very old and dilapidated and hence a potential threat to the safety of the workers, should be attended to with a sense of urgency.

Reply of the Government

Noted for compliance [Department of Textiles O.M. No. 23012/2/82-NTC, dated 18-12-82].

Comments of the Committee

Please See paragraphs 24 to 26 of Chapter I of the Report.

Recommendation (Sl. No. 22) (Para II.22)

One of the constraints for rapid modernisation is the non-availability of textile machinery and in time. Here again a belated attempt has been made to establish manufacturing capacity in the public sector. The Committee desire that this should be given the priority. Further, such of the machinery items as are urgently required espectally for balancing purposes should be allowed to be imported without delay. The Committee hope that decision on the proposals in this regard submitted to government by the NTC would be taken soon. The Holding Company should also ensure at least in future that orders for procurement of indigenous machinery are placed in time on a planned basis.

Reply of the Government

By and large, the availability position of indigenous machinery is satisfactory at present. However, NTC has also been permitted to import machinery wherever considered necessary. (Deptt. of Textiles O.M. No. 23012/2/82-NTC, dt, 18-12-82).

Recommendation (Sl. No. 23) (Para II.23)

The modernisation and expansion programme entailing an outlay of Rs. 320 crores has not been viewed in its totality but split up mill-wise for sanction within the powers of the subcidiary|holding company in stages. This seems to be incorrect from the point of view of both accountability and expediency. The Committee feel that programme of each subsidiary should be prepared and dovetailed into the overall plan for the nationalised textile industry. Each subsidiary's programme should then be viewed as one scheme for the purpose of scrutiny at the government level. While the overall progress and achievement should be reviewed by the government with the holding company, those of the subsidiaries should be monitored and reviewed by the holding company. Clearly, identifiable targets should be laid down for implementation as well as benefits to be derived and the achievement related to these. The Committee desire that action should be taken accordingly. The Committee are constrained to make this recommendation especially because they do not approve of the strategy underlying the investment decisions taken so far at the companies' level.

Reply of the Government

Noted for compliance. [Deptt. of Textile O.M. No. 23012/2/82-NTC dated 18-12-82].

Comments of the Committee

Please See paragraphs 24 to 26 of Chapter I of the Report.

Recommendation, S. No. 24 (Para II.24)

It was estimated at the time of nationalisation that there was a surplus of about 10 per cent in the labour force of 1.61 lakhs. With the modernisation programme taken up for implementation more of the labour would be rendered surplus progressively. A precise assessment of this additional surplus has not been made. Further, if proper workload norm for employment of labour are evolved and adopted, the extent of surplus would further increase. A labour rationalisation|superannuation scheme has been taken up of implementation. Upto 31 March, 1981, 15,497 posts have been abolished. However the labour strength of NTC as a whole, instead of decreasing, has increased from 1.61 lakhs in 1974 to 1.69 lakhs in 1980. Some of the subsidiaries have not been able to adhere to the target of nationalisation. These are notably NTC (Maharashtra North), NTC (Tamil Nadu & Pondicherry) and NTC (West Bengal, Assam, Bihar nd Oriss). The labour rationalisation scheme is stated to have been opposed by the workers in a number of subsidiaries. Thus the position seems to have become of late somewhat interactable. This calls for a study and energetic action to weed out surplus with the cooperation of the workers. Efforts should also be made t absorb the surplus productively as far as possible by diversifying and expanding the activities of the NTC companies.

Reply of the Government

Noted for compliance. [Department of Textiles O.M. No. 23012/2/82-NTC, dated 18-12-82]

Recommendation, Sl. No. 26 (Para II.26)

There are no set norms for the employment of labour in the textile industry. However, there are certain board guidelines given by the South Indian Textile Research Association. The position in regard to engagement of men on spindles looms in the NTC subsidiaries furnished to the Committee shows that the employment was generally much in excess of what was indicated by these guidelines except in a couple of the subsidiaries. In view of all these the Committee desire that as accepted by the Textile Secretary, there should be an independent study of pattern of employment of not only workers but also of officers and staff and certain norms evolved for implementation gradually.

Reply of the Government

The South India Textile Research Association has been requested to undertake study of pattern of employment in NTC Companies in respect of workers and staff, and the study is expected to be completed within six months. [Deptt. of Textiles OM. No. 23012/2/82NTC, dated 18-12-82].

Recommendation, Sl. No. 27 (Para 11.27)

A regional-*cum*-industrial approach to all labour problems including wages is considered appropriate for NTC both by the management and the administrative Ministry. Having regard to the competitive nature and the traditions of the industry as well as the turnover of the skilled managerial personnel which is stated to have been the result of unattractive conditions of service, the Committee find some force in this. They therefore, desire that the B.P.E. should give due consideration to the views expressed and evolve a suitable wage structure and personnel policy that would help the management to make the nationalised textile industry efficient and competitive.

Reply of the Government

The wage structure of NTC is being governed by various Wage Boards who take into consideration region-*cum*-industrial approach to all labour problems including wages. The same approach will be kept in view while finalising the new wage agreements. [Deptt. of Textile O.M. No. 23O12|2|82-NTC, dated 18-12-82].

Recommendation Sl. No. 28 (Para 11.28)

Incidentally, the Committee note that the NTC have yet to finalise the Recruitment and Promotion Rules. This should be done without further loss of time. A satisfactory scheme of centralised recruitment of managerial personnel should be evolved and the training of managers and craftsmen should be put on a satisfactory footing, if necessary, by augmenting the training facilities. Further, it should be ensured that all the vacancies reserved for Scheduled Caste|Scheduled Tribe condidates should be filled by such candidates not only in the category of workers but also in the categories of staff adn officers in all the subsidiaries.

Reply of the Government

Noted for compliance. [Department of Textiles O.M. No. 23012/2/82-NTC, dated 18-12-82].

Recommendation, Sl. No. 29 (Para 11.29)

The paid-up capital of the NTC is Rs. 190.95 crores and as on 31 March, 1981 the cumulative losses of the NTC companies as a whole amounted to Rs. 243.96 crores. Six subsidiary companies have already wiped out their paid-up capital. 51 mills under 8 subsidiary companies have reported provisional loss during 1980-81. An inter-firm comparison of the subsidiaries for the year 1979-80 shows the following. The labour content as percentage of cost of production ranged from 22 in NTC (Delhi, Punjab and Rajasthan) to 41.1 in NTC (West Bengal, Assam, Bihar and Oriss) as against the average of 29. The percentage of raw material content ranged from 38.8 in NTC (Maharashtra South) to 55.6 in NTC (Andhra Pradesh, Karnataka, Kerala and Mahe) as against the average of 42.8. Finished goods inventory ranged from 30.7 days sale in NTC (Delhi, Punjab & Rajasthan) to 95.7 days sale in NTC (West Bengal, Assam, Bihar & Orissa) as against the average of 47.6. The value added per employee ranged from Rs. 6530 in NTC (West Bengal, Assam, Bihar and Orissa) to Rs. 19004 in NTC (Tamil Nadu & Pondicherry) as against average of Rs. 8082. Whatever be the conditions such huge disparities should not be there. The Committee feel that even under the present state of the nationalised textile industry it should be possible to breakeven provided good management is ensured. The holding company should rationalise its management information system and take meetings for appraising the performance of the subsidiaries regularly once a quarter. For this purpose it should also be necessary to have not only an inter-subsidiary comparison but also a comparison of the performance with that of the private sector. Further, the material management inventory control and labour management should receive constant attention. In this connection the Committee find that in regard to 6 subsidiaries there was only one or no formal performance review in the year 1978-79 and even in the year 1981-82, in respect of 3 subsidiaries there was only one such review. The administrative Ministry also does not appear to have taken the review of the performance of the holding company seriously inasmuch as only 5 meetings were held during 1977-81 although according to the existing requirement 16 meetings should have been held. Admittedly, the state of the nationalised textile industry could have been better had the performance appraisals by the Ministry and the holding company been regular and meaningful. The Committee hope that such laxities will be avoided in future.

Reply of the Government

Noted for compliance. [Deptt. of Textiles O.M. No. 23012/2/82-NTC, dated 18-12-82].

Recommendation, Sl. No. 31 (Para II.31)

There has been serious delays in the finalisation of accounts by the NTC companies. The Committee are not convinced of the reasons adduced for the delays. The Managing Director has, however, assured the Committee that from 1981-82 onwards the accounts would be finalised in time. This should be kept up.

Reply of the Government

The accounts for 1981-82 of all the NTC Companies have since been finalised and adopted and there are no arrears in this regard at present.

[Deptt. of Textile O.M. No. 23012/2/82-NTC, dt. 18-12-82].

CHAPTER III

RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF GOVERNMENTS REPLIES

Recommendation, Sl. No. 6 (Para II.6)

Under the Industries (Development and Regulation) Act, 1959, the Union Government alone are competent to take over the management of an industrial undertaking. One of the objectives of setting up of the NTC was to render advice to Government on such take over. However, after 1974 a number of sick textile mills have been taken over and entrusted to the management of State Textile Corporations without formally consulting the NTC. It is now open to the State Governments to nationalise them. The Committee feel that there should be a unified institutional arrangement for the nationalised textile industry and for managing the mills taken over. In this, State participation could be ensured. The possibility of this arrangement deserves serious consideration. Incidentally, the Committee find that although option was given to the States to have equity participation upto 49 per cent in the subsidiaries of the NTC, the participation has been poor inasmuch as it did not exceed 14.5 per cent and several States did not participate at all.

Reply of the Government

It has been decided that in future the Central Government would, by and large, not take over sick textile mills because its hands were full. In case of there being sickness in private sector mills, the Centre would assist (legally) the State Governments to take over sick/closed mills provided the State Government were willing to assume financial and managerial responsibility for running such mills. In pursuance of this policy, some mills have been taken over and entrusted for management to the State Governments which are now being urged to nationalise these mills. The Central Government has thus been following a coherent policy in this regard with some exception in public interest. (Department of Textiles O.M. No. 23012/2/82-NTC, dated 15-12-82).

Recommendation, Sl. No. 9 (Para II.9)

Prior to July 1981, the NTC had an obligation to produce 400 million sq. metres of controlled cloth consisting of five broad varieties. With effect from July, 1982 this has been reduced to 325 million sq. metres confined to saris, dhotis and long cloth. Shirting and drill, the cost of manufacture of which was very high, have been totally eliminated. The Commerce have been informed that there could be neither less nor prifit on the production of controlled cloth by the NTC. However, the NTC has urged that they be given a fair return in addition to recovering the cost. The Committee desire that the possibility of this should be examined having regard to the need of the NTC to generate some internal resources.

Reply of the Government

The matter has been examined and it has been found that providing such a return on capital would mean an increased receipt to NTC to be absorbed either by the consumer price or by enhancing the subsidy. Since subsidy is paid having regard to an identified social objective, it would not be possible to justify either an increase in consumer price or an increase in the rate of quanium of subsidy merely to provide a return on NTCs capital. It is relevant to mention that NTC is not suffering any loss on account of the scheme since the computation of cost takes into account the actual capacity utilisation and actual interest. [Department of Textiles O.M. No. 23012|2|82-NTC, dated 15-12-82].

Recommendation Sl. No. 25 (Para II.25)

In the case of NTC (Maharashtra North), the labour unions are stated to be opposing the programme till such time their claims for Provident fund relating to the period prior to nationalisation to mills are settled in full without any cut due to non-paying to provident fund arrears. In the case of NTC (Maharashtra South), the union is stated to be demanding full payment of gratuity and retrenchment compensation for the period of service before the closure of the mills in the case of those which have gone into liquidation. The Comittee have been informed that these are under examination by the Ministry of Labour. The Committee desire that the issues should be sorted out early.

Reply of the Government

As regards the employees claim for provident fund relating to the period prior to notionalisation of mills, the Ministry of Labour examined the question whether the Sick Textile Undertakings (Nationalisation) Act 1974 could be amended to probide for payment of the outstanding amounts of the EPF and ESI contributions for the pre-nationalisation period by the NTC or alternatively whether the Government may itself pay the outstanding amount or ex-gratia basis but neither of these alternatives has been found possible so far.

Regarding payment of gratuity to the workers for the period of service before the closure of the mills in the case of those which have gone into liquidation, it was felt that Government cannot be burdened with this liability.

As regards retrenchment compensation, workmen can claim compensation under the Industrial Disputes Act and can therefore file applications with the appropriate Government for the recovery of the monies due. [Department of Textiles O.M. No. 23012/2/82-NTC, dt. 18-12-82].

CHAPTER IV

RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation Sl. No. 2 (Para II.2)

In order to exercise meaningful control over the subsidiaries the holding company ought to have power to make top appointments in them. Though this power vests with the holding company under the Articles of Association of its subsidiaries, in reality government make these appointments applying the BPE guidelines in toto to the subsidiaries of a holding company. In the opinion of the Committee the powers of the government in relation to a subsidiary should be exercised by the solding company which should be accountable to government and Parliament through the Committee on Public Undertakings for its commissions and omissions. The BPE should, therefore, reconsider their relevant guidelines in its application to the subsidiaries. In any case the holding company ought to be able to make the appointment of Chairman-cum-Managing Director as well as the appointment of full-time Directors and transfer then within the subsidiaries.

Reply of the Government

While the appointing authority for the top post in a Subsidiary Corporation is the Holding Company, the selection is made through the Public Enterprises Selection Board and approved by the ACC. In the PESB Selection Committee, the Chairman and the Managing Director of the Holding Company are invariably associated. It is, therefore felt that the Holding Company has a prominent rôle to play in the selection of the top posts in the Subsidiary Corporations. As regards the appointment of functional Directors in the Subsidiary Corporations, NTC, (Holding Company) is even now the authority to make selection and appointment thereof after following the prescribed procedure. [Department of Textiles O.M. No. 23012|2|82-NTC, dated 15-12-82].

Comments of the Committee

Please See paragraphs 7 to 9 of Chapter I of the Report.

Recommendation, Sl. No. 14 (Para II.4)

The Committee received an irresistible impression that the cost control in the NTC mills was anything but satisfactory. Although the guidelines issued by the holding company provide *inter alia* that the mills should complete their sales proposals indicating sales rates for different varieties and work out profit|loss involved on per loom shift basis in order to help take up only the loom sorts which yield maximum profit, some of the subsidiaries have not been following the system. The Committee feel that introduction of a system of standard cost for each variety on a per loom shift basis for the purpose of comparison with the actual cost and the market realisation is necessary to have an effective control. The Holding Company should also evolve a system of monitoring and reviewing the costs and prices periodically. The Committee are surprised that this important aspect has been neglected both by the subsidiaries and the Holding Company so far.

Reply of the Government

It has been found difficult to workout standard costing on account of the following:

1. Cotton cost which constitutes around 45 to 50 per cent of the totoal production cost varies from month to month.
2. Machinery available with the NTC mills is not of standard types.
3. Labour element varies from mill to mill.
4. Sale price fluctuates every now and then and depends mainly upon market trends.

Unless these factors are brought under control and on uniform basis, the expenditure/efforts involved in working out deviation between standard costing figures and actual figures may not commensurate with the benefits that could be obtained by adopting this system. However, Holding Company is strengthening its costing Department to take various important items of work including review of costing system, cost parity status, inter-mill comparisons of mixing costs, productivity and sales realisation etc. [Deptt. of Textiles O.M. No. 23012|2|82-NTC, dt. 18-12-82].

Comments of the Committee

Please See paragraph 19 to 21 of Chapter I of the Report.

CHAPTER V

RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES OF GOVERNMENT ARE STILL AWAITED

Recommendation Sl. No. 13 (Para II.13)

The Marketing Division of the holding company is more or less confining itself to running the retail outlets which do not account for much of sales and whiich are running into serious losses. This is a sad commentury on the Marketing Division. The Committee recommend that the holding company should rationalise the system of selecting and appointing wholesalers/agents by the subsidiaries and review the system periodically as at present there appears to be scope for malpractices. Though it may not be possible to organise direct central marketing as such, all indents/contracts for government and other public sector supplies should be handled centrally by the holding company. There should also be centralised market intelligence set up. The Holding Company should ensure that needless competition between the NTC companies is avoided and the transport cost is minimised.

Reply of the Government

The working of NTC (Holding Company) and its nine subsidiaries was reviewed in detail in the meeting convened by the Commerce Minister on 13/16th October, 1982, which was attended by the Managing Director and other functional Directors of the Holding Company and Chairman-*cum*-Managing Directors of all the subsidiaries. Among other things, it was felt that there was great scope for better sales realisation of NTC products so as to improve the working results of NTC. The Holding Company was, therefore, asked to expedite formulation of marketing strategy. (Deptt. of Textile O.M. No. 23012/2/82-NTC, dt. 18-12-82).

Comments of the Comittee

Please see paragraphs 16 to 18 of Chapter I of the Report.

Recommendation Sl. No. 30)Para II|30)

The present system of funding the NTC companies which are incurring losses by giving them loans and overburdening them again with interest is obviously unsatisfactory. The Committee, therefore like the Ministry to review the system in order to remove the financial constraints of the NTC to the extent possible. In this connection they find that the debt equity ratio of a number of subsidiary companies is adverse with more of interest bearing loan-content. The holding company is stated to have sent up a detailed proposal to government for restructuring the capital base. The Committee would urge that a decision in this regard should be taken early in order to put the copanies on sound financial footing.

Reply of the Government

The cash loss incurred by NTC is being reimbursed by the Government by way of loans as per the general policy of the Government. It is true that if the outstanding loans out of the cash loss reimbursement so effected is also taken into account, the debt equity ratio of a number of subsidiaries of NTC is more than 1:1. The proposals sent by NTC (Holding Company) for grant of certain financial reliefs, including conversion of loan to equity in certain cases, is currently under active consideration of the Government. A final decision on the proposals is expected to be taken shortly. (Deptt. of Textiles O.M. No. 23012/2/82-NTC, dt. 18-12-82).

MADHUSUDAN VAIRALE,
Chairman,
Committee on Public Undertaking.

NEW DELHI;
February 25, 1983.
Phalguna 6, 1904 (*S*).

APPENDIX

(*Vide* Para 3 of Introduction)

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

I.	Total number of recommendations made	31
II.	Recommendations that have been accepted by the Government (*Vide* recommendations at S.Nos. 1, 3, 4, 5, 7, 8, 10, 11, 12, 15, to 24, 26 to 29 and 31)	24
	Percentage to total . .	77.4%
III.	Recommendations which the Committee do not desire to pursue in view of Government's replies (*Vide* recommendations at S. Nos. 6, 9 and 25) .	3
	Percentage to total	9.6%
IV.	Recommendations in respect of which replies of Government have not been accepted by the Committee (*Vide* recommendations at S. Nos. 2 and 14)	2
	Percentage to total	6.5%
V.	Recommendations in respect of which final replies of Government are still awaited (*Vide* recommendations at S. Nos. 13 and 30)	2
	Percentage to total	6.52%

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