11

STANDING COMMITTEE ON COMMUNICATIONS
(1998-99)

TWELFTH LOK SABHA

MINISTRY OF COMMUNICATIONS

(DEPARTMENT OF TELECOMMUNICATIONS)

REPORT ON RECOMMENDATIONS OF DISINVESTMENT COMMISSION IN RELATION TO ITI AND HIL LTD.

ELEVENTH REPORT

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LOK SABHA SECRETARIAT
NEW DELHI

March, 1999/Phalguna, 1920 (Saka)

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Presented to Lok Sabha on 15.3.1999
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INTRODUCTION

I, the Chairman, Standing Committee on Communications (1998-99) having been authorised by the Committee to submit the Report on its behalf, present this Eleventh Report on Recommendations of Disinvestment Commission in relation to ITI and HTL Ltd. relating to Ministry of Communications (Department of Telecommunications).

2. The Committee took oral evidence of the representatives of the Employees' Unions and Officers Associations of ITI and HTL Ltd. at its sitting held on 15.10.1998 and that of representatives of the Ministry of Communications (Department of Telecommunications) in the sitting held on 16.10.1998.

3. The Committee wishes to express its thanks to the representatives of the Employees' Unions and Officers Associations of ITI & HTL Ltd., the Chairman/Chairperson of both the companies and the representatives of the Ministry of Communications (Department of Telecommunications) for appearing before the Committee and placing before it the detailed information that the Committee desired in connection with the examination of the subject.

4. The Report was considered and adopted by the Committee at its sitting held on 9.3.1999.

5. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in bold letters in the body of the Report.

NEW DELHI;
11 *March*, 1999
20 *Phalguna*, 1920 *(Saka)*

SOMNATH CHATTERJEE,
Chairman,
Standing Committee on Communications.

CHAPTER I

ITI LTD.

I. Introductory

In the post-independence era, public sector was assigned a strategic pivotal role to build infrastructure, promote rapid economic growth, ensure balanced regional development with penetration into backward and remote areas, create employment opportunities and develop indigenous industry as a substitute to imports. With these ends in view, ITI and HTL Ltd. were set up as telecom manufacturing units in the public sector. In 1956, telecom equipment industry was reserved for exclusive development by the State because of its strategic importance. In 1991, in view of the changing world scenario, Government decided to restructure the economy and a new strategy for the public sector was evolved in the policy statement of 1991.

2. New approach to public sector envisaged that the public sector should focus on strategic, high-tech and essential instruments and that chronically sick enterprises would be referred to Board for Industrial and Financial Reconstruction (BIFR) for revival/rehabilitation. It was also decided that a part of Government's share-holding in the public sector would be offered to mutual funds, financial institutions, general public and workers, to raise resources, encourage wider public participation, to delegate greater powers and autonomy to PSU Boards, and make them more professional and accountable.

3. In 1996, Government constituted the 'Public Sector Disinvestment Commission' to draw a comprehensive overall long-term disinvestment programme for Public Sector Undertakings (PSUs) referred to it by the Core Group. ITI Ltd. and HTL Ltd., were also referred to the Disinvestment Commission.

II. Disinvestment : Objectives and strategy

4. The Disinvestment Commission, *inter-alia,* has observed that budgetary support to the loss making PSUs has been a recurring feature for the last many years. Increased competitive pressures have adversely affected some PSUs which were earlier profitable. Growing financial stringency of Government will reduce its capacity to support them and consequently lead to their closure, unless a viable policy of

disinvestment is evolved and implemented for them with the objective to enhance budgetary receipts commensurate with public funds invested in them, minimize budgetary support, ensuring long-term viability and sustainable levels of employment in those PSUs.

5. The Commission further observed that PSUs must be managed on sound commercial lines, and government policies provide a level playing field for them to compete with the private sector. The extent of eventual disinvestment, will depend on the classification of the PSU as strategic, core and non-core industry.

6. The Disinvestment Commission has classified ITI Ltd. as a non-core industry. Its recommendations in this regard are placed at Annexure I.

7. In short the Commission has recommended as follows:

(i) Redundant employees may be offered appropriate VRS facilities. (The total existing workforce of about 25000 to be reduced to 7000).

(ii) In order to prepare for strategic sale, to bring in a strong technical partner/partners to ensure future survival of the company and to sell 50% of the shares to the strategic partner and further dilute the Government's equity in ITI to 26% by disinvestment upto 74% with reference to the agreement with the strategic partner.

(iii) Defence Division of ITI in Bangalore may be segregated and merged with Bharat Electronics Limited (BEL).

III. Classification of ITI Ltd. as non-core Industry

8. The public sector policy statements reveal that the emphasis of public sector investments has been in areas which are considered important from a national viewpoint. The Disinvestment Commission have classified industries into three broad categories, *viz*:

(i) **Strategic Group** : The industries like Defence, Atomic Energy and Railways. There is no question of disinvestment in such industries.

(ii) **Core Group** : The capital/technology intensive industries with oligopoly form of market structure. Telecom has been kept under this class with other industries. The Commission has felt that the presence of such industries will be necessary for sometimes more, as a countervailing force and to prevent concentration of private economic power, as was aimed in the public sector policy decided in 1948. The Commission has recommended that disinvestment be limited to a maximum of 49% in core industries.

(iii) **Non-Core Group** : The industries with presence of a large number of players, including matured private sector units and where the forces of competition have made the markets fully contestable. In such market structure the consumer's interests are well protected. The initial objectives of the public sector have been met and there is no need of public investment any longer in these industries. The Commission has recommended that it would be desirable to disinvest upto 74 percent or more in such cases.

9. Though ITI Ltd. is a telecommunication manufacturing company which is capital/technology intensive and deserves infrastructural status, Disinvestment Commission has classified it as a non-core industry and therefore, recommended disinvestment of its equity upto 74 percent including sale of 50 percent of the shares to a strategic partner who may even be a foreign company.

10. In this context, the Committee desired to know the perceptions of the Department of Telecommunications about the role of ITI and HTL Ltd. in the current scenario. In reply, Member Finance, DoT stated that the Department is of the view that ITI has a very important role to play. It is more so, when departmental requirements are growing every year and the price range of ITI products is exercising very sobering impact on the prices. Therefore, both the organisations have an important role to play. He further added that 30% of DoT's requirements are reserved for ITI. The Department wants the ITI to grow and become stronger. In the light of these perceptions, the DoT has expressed some concern about dilution of the equity to 26 per cent by the Government. It would make difficult for the DoT to help ITI to attain pre-eminent position. If Government ceases to be a majority owner DoT would not be able to reserve 30% quota for them. This would be a major handicap for ITI.

11. Elaborating the point further, the witness added that ITI had some setback from 1992-93 onwards and the main reason for that was the opening up the telecom manufacturing sector and due to the competitors emerging in the country itself, the prices came down. Whenever a changeover takes place from the protected market to an open market, in the initial years, the company which had operated in a protected market, naturally faced certain problems. It takes time to adjust to the changed environment. ITI has done it admirably. It is very necessary that DoT supports the company fully so that it may came out of the red and becomes strong once again.

12. In reply to a query by the Committee, the witness stated that DoT's point has been that the ITI should be treated as a core sector enterprise, because telecom sector itself is in the core sector and ITI is one of the major manufacturers of high-tech equipments. There is no case whatever for dilution of Government equity. The Member, Production further stated that ITI is executing a considerable volume of orders for the Defence. Defence order worth Rs. 140 crores has been executed by them. It is supplying very sensitive equipment like network management system which is used in the border forces. The ITI Ltd. is also stated to be executing defence projects. Because of these strategic reasons which relate to the country's defence, the witness added that majority share must be with the Government.

Artificial Competition

13. The ITI Employees Union in a memorandum submitted to the Committee has stated that although a large number of private companies, Indian as well as foreign Multi National Corporations (MNCs) have entered the field of manufacture of telecom equipment, the competition in it has not reached a stage of maturity, since the MNCs, as admitted by Disinvestment Commission also, are of uncertain credentials and one quoting unrealistic prices, which are sometimes even upto 25 percent less than the actual raw-material prices. As such, the so called competition is not genuine but artificial (dumping strategy of MNCs) with the motive to get an entry into the potential Indian telecom market. Those companies have not been able to supply their products even at their quoted price. The ITI Ltd., as the captive unit of DoT, had to make the supply at the unrealistically low price quoted by the lowest (L1) bidder resulting in huge loss.

Procurement Procedure of DoT

14. The Committee learnt that the procurement policies of DoT are based on competitive bids from PSUs and various private parties including MNCs. The prices of the equipments are decided after the bids are received. The lowest (L1) bidder gets the largest order, and balance order is split among the other bidders at the price quoted by the lowest bidder.

15. The ITI Employees' Union submitted to the Committee that the DoT did not verify the reasonableness of the lowest bid, not even the track record of the lowest bidder. ITI Ltd. lodged complaint with Planning Commission on the issue of dumping strategy of MNCs. The matter was referred to Ministry of Commerce to be investigated under Anti-Dumping Act. No concrete action was taken and instead of black listing undependable companies (MNCs), they were allowed to participate in subsequent tenders. Asked about it, the Member, Finance, DoT stated in evidence that DoT did not witness any incidence of dumping of prices. There has been fair competition. In fact, conditions were not favourable to ITI because of its structure. Now ITI has been able to bring down their costs and diversify the activities. However, the Disinvestment Commission has, in its report, pointed out that there is an urgent need to streamline DoT's procurement procedures and provide for pre-qualification for bidders, substantial earnest money deposits and blacklisting of companies which fail to supply after quoting the lowest bid.

IV. Access to latest technology and R&D

16. Disinvestment Commission has observed that ITI Ltd. does not have research capability to keep pace with advancements in technology and depends on foreign technology for high-tech equipments such as large digital switches. Continuous access to technology is critical in view of high rate of product obsolescence and intense competition. The company was able to spend only about Rs. 35 to 37 crores annually on R&D, as compared with billions of dollars invested by its competitors (MNCs) on their R&D efforts.

17. Asked in this context, the C&MD, ITI Ltd. submitted that C-DOT has developed indigenous technology of world standard.

ITI Ltd. was getting large switch MAX-XL technology from C-DoT which meets all parameters of world class technology. With it, the company would have contemporary technology at much lower cost. It was stated that ITI Ltd. are making 40,000 line Exchanges of world standard at half the rates in terms of prices quoted in foreign exchange. As such, it could save huge resources which would make expansion of telecom much easier.

18. The Committee enquired whether DoT has given adequate emphasis to in-house development of R&D. In reply, Member Production, DoT stated that C-DoT is the main thrust area. It has an R&D Centre in the switching and transmission, C-Dot develops switching and transmission products and then transfer the technology to ITI. The ITI is also having its own in-house R&D Department.

19. Continuing, he further stated that there is no dearth of capability in the country in so far as basic research is concerned. In fact, C-DoT has been one of the premier organisations doing excellent research. It has developed indigenous technologies which are almost of the same quality as products developed elsewhere in the world.

20. The Committee enquired whether in view of the high rate of obsolescence in telecom technology, ITI is well equipped to face multinational competition and take its products to higher technology levels. In reply CMD, ITI stated categorically, that ITI was able to evolve state of the art technology. Previously, it used to take two to three years to adopt a new technology, but now it takes only six to nine months.

21. Replying to another query by the Committee, the Members Production, DoT stated that "Siemens' switch which is called EWSD is in no way superior to what ITI is making. ITI has two products to compete with Siemens, namely OCB-283 and Max-XL."

22. The Committee enquired that since C-DoT technology is being used very substantially by ITI and HTL what would be the effect on C-DoT if disinvestment takes place in ITI and HTL as suggested by the commission. In reply, the Member (Production) DoT stated C-Dot itself would come under pressure and hardly any foreign company would prefer C-DoT technology.

V. Financial Performance of ITI Ltd.

23. The Disinvestment Commission has pointed out that since its inception till 1993, ITI Ltd. was working under the cost-plus system-free from any substantial challenge from the private sector. It has shown continuous profit during that period. New Economic Policy 1991 and National Telecom Policy 1994 which permitted participation of private sector, intensified competitive pressure on the company.

24. During 1993-94 the operating income of the company was Rs. 1527 crores which scaled down to Rs. 1037 crores and further to Rs. 783 crores in 1994-95 and 199596 respectively. The profit after tax was Rs. 84.4 crores in 1993-94 which came down to Rs. -82 crores and further to Rs. -284 crores in 1994-95 and 1995-96 respectively, and there was more than 50 percent erosion in the networth of the company which resulted in the unit being notified to BIFR as required under the Sick Industrial Companies (special provision) Act, 1985 (Annexure II & III).

25. The DoT/ITI has attributed the adverse financial performance to the following reasons :

(i) Reduction in orders and prices of telecom products due to intense competition from the private sector companies consequent upon liberalisation of telecom sector.

(ii) Dumping Strategy of MNCs (quotation of unrealistic prices)

(iii) Huge interest burden.

(iv) High cost of overheads.

(v) Cost of developing infrastructure facilities in underdeveloped areas like Mankapur.

(vi) High cost of running the Srinagar (J&K) unit where environmental factors are not conducive for industrial activities.

26. The ITI Ltd. has submitted to the Committee that the unhealthy practice adopted by the MNCs in 1994 and its effect on subsequent

tenders caused the company to suffer a loss of about Rs. 420 crores. The existence of ITI Ltd. as a PSU and the indigenous technology of C-DoT restored the bargaining power of DoT and enabled it to bring down the per Exchange line prices from Rs. 7299 to Rs. 5600 in 1996 and save Rs. 900 crores in a total transaction of Rs. 3500 crores in the competitive bidding by MNCs.

27. To illustrate the unrealistic prices (artificial competition) quoted by MNCs in 1994, 1996 and 1997, the ITI Ltd. further submitted to the Committee that after the low, unrealistic entry price of Rs. 4291 per line (at L1) by Alcatel Modi Network Systems (AMNS) as against Rs. 5993 (at L7) by ITI Ltd. in April 1994, it rose to Rs. 7299 (also L1) by AMNS as against Rs. 7551 (at L6) by ITI Ltd. in March 1996, only to see a reversal of status with ITI Ltd. quoting Rs. 5356 (as L1) against AMNS's Rs. 6063 as (L2) in the evaluated quotations in August, 1997. The per line average price of ITI over AMNS was higher by Rs. 1702 in 1994 and also higher by Rs. 252 in 1996, but lower by Rs. 707 in 1997. It also indicates the possibility of cartelisation by some of the MNCs (L3 to L6) in the 1997 tender, again an unhealthy aspect of competition (Annexure-IV).

28. In reply to a query by the Committee, the Member, Finance, DoT stated in evidence that the point was made to the Disinvestment Commission that because of the losses incurred in the past few years, it would not be the opportune to think of disinvestment.

Improvement in Performance

29. In a note furnished to the Committee, the ITI Ltd. submitted that during the financial year 1996-97, the company has considerably improved its financial performance which is reflected in increased turnover by 20% and reduction in losses by 84% (by reducing its loss from Rs. 284 crores in 1995-96 to Rs. 51 crores in 1996-97) and further during 1997-98 by turning out a production performance of Rs. 1270 crores and Rs. 15.26 crores profit thereon. It indicates that ITI Ltd. has bounced back and turned into a dynamic and viable company with tremendous resilience. It has built competitive edge through cost cutting operations, adaptation of new technology, market focusing, dedication of work-force and improved managerial skills.

Budgetary Support to M/s ITI Ltd.

30. In order to overcome the financial crisis faced by the ITI and to have adequate working capital to meet the enhanced production targets, the company has requested the Government for the following:

(i) additional equity of Rs. 200 crores.

(ii) long term soft loan of Rs. 150 crores.

(iii) Rs. 35 crores per year during the 9th Five Year Plan from the National Renewal Fund (NRF) for reducing its manpower by 7000.

(iv) Rs. 30 crores per year for reimbursement of its R&D expenditure during the 9th Plan.

(v) Rs. 3 crores per year for reimbursement of losses incurred by its Srinagar unit during the 9th Plan.

(vi) Some financial help for infrastructure facilities created for the employees in backward areas of Rai Bareli and Mankapur.

31. The DoT has informed the Standing Committee that a committee has been set up in the DoT to examine the reimbursement of losses incurred by ITI Ltd. in running Srinagar unit and on account of social costs in developing backward areas.

32. The DoT also proposes to increase the equity holding of Government by Rs. 200 crores and for grant of a long term soft loan of Rs. 150 crores. During evidence the representative of DoT has assured that they have made out a case for increasing the equity base of ITI Ltd. from the present Rs. 88 crores to Rs. 288 crores. He further stated that they would be approaching the Cabinet with their request shortly.

33. With the proposed budgetary support, the company plans to achieve the turnover/profit during the next three years as shown below:

Year	Turnover	Profit (Rs. in crores)
1999-2000	2000	120
2000-2001	2400	316
2001-2002	3200	388

Autonomy in Decision-making

34. DoT is the major buyer of products of ITI Ltd. The company has to obtain multi-level and time consuming clearances for strategic decisions like diversification for new products, transfer of technology agreement, investment in R&D and location of plants etc. from the Government/DoT, which results in avoidable delays. It has been submitted to the Committee that lack of autonomy has created a somewhat un-equal playing field for the company, as the private sector (MNCs) is free from such constraints. The rapidly changing economic scenario has put considerable competitive pressure which requires the company to take prompt decisions. Therefore, managerial autonomy is the need of the hour. The Board of the company, in addition to being made more professional and accountable, should be competent to take all strategic/corporate decisions and the role of DoT/Government should be limited to the issue of written directives concerning broad policy matters.

35. The Committee notes that the Disinvestment Commission has classified ITI Ltd. as a non-core industry even though it is in a capital/technology intensive industry. The Committee finds that competition in telecom manufacturing industry has not yet reached that matured stage as envisaged by the Disinvestment Commission as the companies participating in the tenders proved to be of uncertain credentials and had quoted unrealistically low prices. After quoting very low prices which were sometimes even upto 25% less than the actual raw material prices and getting orders, they did not effect supplies of the equipment tendered and ITI had to supply the same at L-1 rates which were uneconomical resulting in substantial losses to it. Thus, the Disinvestment Commission's contention that telecom industry has the presence of matured private units and forces of competition have made the market fully contestable, is not based on ground realities. Due to cumbersome procedure involved in blacklisting of these companies they could not be prosecuted.

36. The Committee also notes that the Department of Telecommunications (DoT) is of the view that ITI has a very important role to play even now. When departmental requirements are growing every year, it has started exercising supporting impact on the prices quoted by private companies. The Committee finds logic in the reasoning that whenever changeover takes place from

protected to open market, in the initial years, the company which had its existence in a protected market, faces problems. Since ITI Ltd. has overcome these problems, it has emerged stronger.

37. The Committee also notes that it would not be possible for DoT to help ITI to attain pre-eminent position if Government's majority share-holding is disinvested. As in that case DoT would not be able to reserve 30 per cent of its requirements for the company. ITI has admirably adjusted itself to the changed environment of competition. DoT's support to it at this juncture would enable it to come out of the red and become stronger once again.

38. Another argument in favour of ITI remaining a Government Company is because of its strategic position. It has been executing considerable volume of orders for defence and supplying very sensitive equipments. In the present scenario private companies need not be required to meet the strategic defence requirements.

39. The Committee further notes that ITI and HTL Ltd. are producing components based on indigenous technology developed by C-DoT which has been described to be of world standard. It is said that large switches based on MAX-XL technology developed by C-DoT meet all the parameters of world class technology. This technology is much cheaper than the contemporary technologies available the world over. The Committee feels that in case of disinvestment of ITI and HTL Ltd., C-DoT technology will hardly be used and huge investments made and self-reliance attained in telecom sector by C-DoT would go waste. In such a situation the nation will be required to pay very substantial amount to buy telecom technology developed abroad. In fact, there is an urgent need to encourage C-DoT to attain higher and higher reaches of technology advancement to gain self-reliance.

40. The Committee further notes that specialised components for very very large scale integration are manufactured only in a few countries and even the advanced countries like France and Britain have to import these components from other countries. ITI Ltd./C-DoT has developed the expertise to design and produce these components within the country and can make value addition and generate national wealth. ITI is also capable of meeting the problem

of high rate of obsolescence in telecom technology. It has also attained state-of-the art technology.

41. The Committee notes that ITI has attained a high level of technology absorption and new technology is adopted in a matter of few months. It is presently producing world class products which are in no way inferior to the best available in the world. The Committee, therefore, does not find any substance in the Disinvestment Commission's logic that ITI Ltd. does not have access to high-tech technology. In view of the position stated above the Committee feels that situation is altogether different from what has been assumed or held by the Disinvestment Commission. Therefore, in the present context, the Committee does not find any need to disinvest majority share-holding in ITI Ltd.

42. The Committee is seriously concerned to note that ITI Ltd. suffered huge losses during 1994-95 and 1995-96 due to intensified competitive pressure, quotation of low entry (unrealistic prices) by MNCs, surplus workforce and social costs etc. However, the Committee notes with satisfaction from the fact that the company has improved its performance considerably during 1996-97 and 1997-98. The Committee recommends to the Government to approve the financial package, as requested by the ITI Ltd. which includes additional equity of Rs. 200 crores, long term soft loan of Rs. 150 crores, reimbursement of expenditure incurred on implementation of Voluntary Retirement Scheme (to the extent absolutely essential for the survival of the company). The Committee hopes that with the acceptance of this package, the ITI Ltd. will be able to achieve the projected turnover during the period from 1999 to 2002. The company should also take strong measures to cut down wasteful expenditure and do long-term restructuring to make it a competent and market driven company.

43. The Committee is concerned at the lack of managerial autonomy of the ITI Board. The rapidly changing economic scenario requires the company to take prompt corporate/strategic decisions like diversification to new products, acquisition of new technology, investment in R&D set up etc. Therefore, the Committee recommends to make the Board more professional, accountable and competent to take all such decisions at its own level. The Government may confine its role to issuing written directives on broad policy matters.

VI. Surplus Workforce

44. The existing staff strength of ITI Ltd. is stated to be about 25000. On the plea that with the advancements in technology, a substantial percentage of workforce has turned to be surplus which has allegedly resulted in a high cost structure and placed the company at a crippling disadvantage in a competitive low margin industry, the Disinvestment Commission has recommended the reduction of the alleged surplus labour through VRS to a level of 7000 persons, to improve the competitive strength of the company.

45. The ITI Ltd. has already granted voluntary retirement to about 4800 employees in Bangalore and 200 in other units during the last five years. It plans to reduce its existing staff strength, further by another 7000 employees over the next five years.

46. The DoT/ITI Ltd. have submitted to the Standing Committee that it was not feasible to reduce the staff strength to 7000, as recommended by Disinvestment Commission. The concept of VRS may not work in Mankapur, Rai Bareli and Naini units where workforce is comparatively young and there are hardly any employment opportunities. Moreover, economic growth with employment should be the national goal and the heavy reduction in workforce would only help foreign MNCs to create new employment in their countries at the cost of the existing employment in our country. As such, it would be better option that the staff, who would be rendered surplus even after giving voluntary retirement to another 7000 employees, may be redeployed for other works like installation/repair etc. of telephone lines, to utilise them efficiently.

VII. Strategic Sale of Equity : Strategic Importance of ITI Ltd.

47. The Disinvestment Commission has recommended strategic sale of ITI to bring a strong technical partner/partners to ensure the future survival of the Company in one or two components. In this context, the ITI Employees' union in a memorandum has submitted to the Committee that ITI Ltd. was intended to be developed exclusively by the State, because of strategic importance of telecommunication in national security. The telecom services all over the world are considered as core infrastructure and nerve system of a country. Besides, ITI Ltd.

provides a deterrence against dumping of old technologies by the MNCs and formation of cartels by them at the time of bidding for DoT tenders, as happened in 1996-97. Because of ITI Ltd. and its indigenous technology, DoT was able to bring down prices of telephone lines in 1994, and save huge foreign exchange. There may arise the need to fall back upon an indigenous manufacturer, in the event of changes in business strategies by MNCs-say a total withdrawal from the country. ITI Ltd. can take care of any such crisis without taking any undue commercial advantage.

48. In this context, Member (Finance) DoT stated in evidence that "strategic partner is normally looked for technology support, financial support or marketing support. In the case of ITI, technological support is not required because C-DoT has already been providing it. There is no need for marketing and financial support too. So there is no case for a strategic partner"

49. According to the Member (Production), DoT, out of 20 million working lines in the country, 40 per cent were of C-DoT technology. These have been doing very well in the rural areas because it does not require air-conditioning facility. It has been very well accepted in other parts of the world also.

50. Member (Production) further added that all over the world, technology transfer is taking place. In areas, where C-DoT technology would not be able to meet the requirement, technology from other countries could be obtained at competitive terms.

51. The ITI Employees' Union has submitted to the Committee that the importance of retaining and further developing manufacturing capacity of PSUs like ITI Ltd. gets reinforced by the fact that the developed economies have reached a stage of recession and stagnation which is forcing them to get free entry into developing economies and they have started advocating liberalisation and globalisation. Further, the recent experience in South Asian Economies is clearly an indicator that if disinvestment would be taken recourse to indiscriminately, it could invite disaster.

52. Another implication of disinvestment will be that the strategic partner would be necessarily a foreign company, thus it would turn

ITI Ltd. into a foreign company. It would then absorb within itself the indigenous technology of ITI Ltd./C-DoT and reduce the status of the country to a permanent importer of foreign technology instead of having a stamp of its own in the world of telecom.

VIII. Defence Division of ITI Bangalore

53. The Disinvestment Commission has recommended that the Defence Division of ITI Ltd. may be segregated and merged with Bharat Electronics Limited (BEL) Bangalore.

54. It has been represented to the Committee that the Defence Services place orders on ITI Ltd. because of the technical and other advantages seen by them in doing so. Further, it also makes for a 'friendly' competition between the two PSUs (ITI & BEL) which in itself is quite beneficial for both of them. Besides, since BEL is under the purview of U.S. sanctions, it is not advisable to implement this recommendation. As such ITI Ltd. is a suitable alternative for the Defence Sector under the situation. Moreover, because they come under different Ministries, it will not give rise to administrative and industrial relation problems.

55. The Committee notes that technological innovations have rendered large workforce surplus and the company has to carry it. This is stated to have placed the company at a disadvantage in a competitive market. The company has been trying to overcome this situation by friendly handshake. The Committee is of the view that economic growth with employment should be highly desirable national goal. The heavy reduction in workforce will only help foreign MNCs to create new employment in their countries at the cost of the existing employment in our country. The Committee recommends that VRS may be granted only to an extent which may be considered absolutely essential for the survival of the company. The prices of its products no doubt would have to be competitive. The DoT may workout schemes for redeployment of the "surplus" employees to utilise them efficiently and effectively.

56. The Committee express its serious concern on the recommendations of the Disinvestment Commission for strategic sale of ITI's 50 percent shares to a strategic partner with an agreement

for further dilution of Government equity to 26 percent. The Committee notes that the strategic partner would necessarily be a foreign company. Thus, ITI Ltd. would become an arm of a foreign company which will then absorb within itself the indigenous C-DoT technology and reduce the status of the country to a permanent importer of foreign technology instead of having a stamp o its own in the world of telecom. The Committee is seriously concerned to note that the money generated out of the disinvestment would be used for revenue expenses of the Government which will not be in national interest, apart from being not a desirable policy. Since telecommunication is the prime support service needed for rapid growth and modernisation of all sectors of economy, ITI Ltd. needs to be promoted and developed as a basic infrastructural unit. The Committee feels that it will go contrary to the objective envisaged in the National Telecom Policy that India should emerge as a major manufacturing base and major exporter of telecom equipment. The Committee is of the view that the country should not be deprived of the benefit of the technology invented by C-DoT. Instead, C-DoT should be given necessary support to enable it to develop indigenous technology of world standard. Therefore, the Committee strongly disapproves of the proposal for disinvestment of ITI Ltd.

57. Since Defence Services place orders on ITI Ltd. (because of technical and other advantages and Defence PSUs are already under purview of U.S. sanctions) it is not prudent to segregate and merge the Defence Division with BEL.

CHAPTER II

HTL LTD.

I. Introductory

58. M/s HTL Ltd. is comparatively a smaller telecom manufacturing company located in Chennai. There are about 1450 employees on its rolls. Its paid up equity capital is Rs. 15 crores which is mainly held by the Government. Earlier the company manufactured electro-mechanical teleprinters which were phased out in 1994-95 since there was no demand for that equipment. With the inception of globalisation/liberalisation, the company diversified for production of Main Distribution Frame, Data Modems, Digital Switches and EWSD etc. in collaboration with M/s Siemens of Germany.

59. The Company was referred to Disinvestment Commission to examine the perspective of its disinvestment. The commission's findings are at Annexure-V. The Commission has classified it as a non-core and loss-making industry and recommended strategic sale of its shares and fair and equitable terminal benefits to employees.

II. Access to Latest Technology and R&D

60. The Disinvestment Commission has *inter-alia* observed that HTL Ltd. depend on foreign technology for production of high-tech equipments. Continuous upgradation/accessibility of technology is critical in view of high rate of product obsolescence. The technology agreement of the company with M/s Siemens of Germany, which is renewable, does not ensure sustained access to latest technology.

61. The representatives of the company have submitted to the Committee that HTL has been developing state of the art infrastructure to meet diverse product range with world class quality. The company could not resort to diversification earlier, being a captive unit of DoT. However, within a short span of five years of diversification, it has manufactured and supplied one million lines switching system based on C-DoT technology with larger content of indigenisation to ensure better profitability. Its agreement with M/s Siemens is based on phased manufacturing programmes with assured technology transfer. The company is stated to be on the faster track to indigenise further the

major components leading to complete indigenisation over a period of time.

Surplus workforce

62. The Disinvestment Commission has observed that the large workforce with unsuitable skills and adverse age profile has contributed to low productivity of the company.

63. The Officers Association of HTL Ltd. has submitted to the Committee that to take care of present product needs, the company has recruited adequate number of Electronic Engineers and other technical staff. The company plans to retrain, upgrade specific skills and redeploy man-power to achieve higher efficiency, improved quality and increased profitability. In the last 3-4 years, VRS was offered and about 250 employees have opted for it. Some more employees are expected to accept it, if again offered to them. Thus the remaining surplus staff would move away within the next few years with VRS and superannuation and the problem, of surplus workforce would not be a major factor regarding the unit's viability.

III. Financial Performance

64. During last few years there was a steady decline in profits and the liquidity position of the company has worsened significantly.

65. The following table depicts the financial performance of the company during the last 5 years:

(Rupees in Crores)

Sl. No.	Year	Operating Income	Profit after tax
1.	1993-94	77.4	6.6
2.	1994-95	80.5	2.6
3.	1995-96	139.91	0.47
4.	1996-97	125.0	—8.13
5.	1997-98	280.0	6.80

66. The company is stated to be a new entrant in electronic switching. During the last 4-5 years its turnover has increased from Rs. 80 crores to Rs. 280 crores. During 1997-98 the company has earned profit of Rs. 6.80 crores. It had incurred loss of Rs. 8.13 crores during 1996-97, as it did not produce its main product—EWSD in that year due to unremunerative prices.

IV. Strategic Sale of Equity

67. The Committee enquired whether HTL would have any problem for survival. In reply, the Member (Production), DoT stated that the unit was doing well. The company has gone to the hi-tech area. But at the same time, DoT feels that disinvestment can be considered only after turn around of the company.

68. Replying to a query by the Committee in this regard, C&MD, HTL stated in evidence that reduction in margin and profitability happened due to various factors like liberalisation, low prices and lack of advances. Yet the company had been earning profits except in 1996-97 even though competition has been faced since 1990. The difficulties have been resolved over the years and the company has turned the corner.

69. The C&MD, HTL further added that if the trend continued for some more time, the company would not only survive but would generate adequate surplus.

70. Asked if the company can face competition in the emerging scenario, she replied that company has been facing tough competition.

71. The Committee drew attention to the comments made by the Disinvestment Commission that HTL will not be able to withstand competition since technology employed is obsolete, workforce unskilled and financial strength inadequate.

72. In reply, the representative of DoT submitted during evidence that the concern expressed by Disinvestment Commission regarding obsolescence of technology, dependence on foreign technology, unsuitable skills and inadequate financial strength etc. appeared to be over-stated. The company has successfully developed its capability in

those areas and it will be able to sustain itself in the market with its products. "Generally I have noticed that the factual information appearing in the Disinvestment Commission report is not exactly correct. I don't know whether in this case it is so, but our optimism is based on present day situation. This Report is two years old and since then a number of changes have taken place in the overall situation. What we visualise is based on today's situation."

73. The witness further added that observations in Disinvestment Commission's report are based on the performance of the company in 1996-97 which was a bad year and the company had incurred loss. But the scenario has substantially changed.

74. The representative further added that all the three options recommended by the Disinvestment Commission about disinvestment of equity shares of the company have been considered within the Telecom Commission and also at the Core Group level. The consensus was that it would not be proper to disinvest the shares of the company below the ownership level *i.e.* the Government should retain majority equity and the company should be turned around and restructured first.

75. Asked about the constraints, if any, faced by the company, the C&MD stated that company is facing difficulties because of very low equity base. To achieve the four hundred crore turnover, equity of Rs. 15 crores is not adequate.

76. The Committee notes that Disinvestment Commission has recommended to the Government to explore possibility of selling hundred per cent strategic equity stake in HTL or alternatively 50 per cent of shares may be offered to a strategic partner through a global competitive bidding. In case none of the above options is feasible, assets of the company be sold through competitive bidding. However, the Committee finds that HTL has developed 'state-of-the-art' infrastructure to meet diverse product range. The company is on the fast track to indigenise the major components. Surplus workforce, though at present a big problem, is likely to be solved with friendly handshake scheme and superannuation of older staff as age-profile of the staff is on the higher side. Financial performance of the company is improving after some set back in 1996-97. The company has entered hi-tech arena. The C&MD of the company has exuded

confidence in the future of the company saying that "difficulties have been resolved over the years and the company is much better off now." Telecom Commission also appears to be confident of its future and is of the view that Government should retain majority equity in the company. The Committee is of the view that the company should be first turned around before deciding its future and for the purpose restructuring is imperative—otherwise, Government may not get right price of its real worth. At present, there is no reason to consider disinvestment at all.

77. The Committee is seriously concerned with the recommendation of Disinvestment Commission to sell 100 per cent shares and assets of the company and to offer VRS to all the employees. The Committee is unable to endorse the recommendation as it would not be in national interest.

NEW DELHI;
11 March, 1999
20 Phalguna, 1920 (Saka)

SOMNATH CHATTERJEE,
Chairman,
Standing Committee on Communications.

RECOMMENDATIONS OF DISINVESTMENT COMMISSION IN RELATION TO ITI LTD.

(i) Immediate steps may be taken to offer appropriate VRS facilities to the redundant employees in all its factories and to provide funds to the company for meeting the costs of VRS.

(ii) In order to prepare for strategic sale to bring a strong technical partner/partners to ensure the future survival of the company in one or two components, Technical Consultants and Financial Advisers may be appointed urgently to examine whether strategic sale can be made for the company as a whole or for two components. The first component could for instance consist of the Bangalore, Palakkad and Hosur factories and the second component of Mankapur, Rai-Bareli and Naini factories. The Consultants/ Financial Advisers will also prepare the estimates of valuation for fixing a reserve price and identify the product lines that could be continued in the two components. The procedure for appointing Financial Advisers for strategic sales and conducting the sale has been outlined in Part B of the First Report of the commission.

(iii) The terms of sale can provide *inter-alia* for the sale of 50% shares of ITI of a strategic partner. There could be an agreement with the selected strategic partner specifying further dilution of government equity to 26% through public offer to Indian institutions, small investors and employees. The percentage of shares to be acquired by the successful bidder from the public and the government to make up the 50% holding will be in accordance with the requirements of the Securities and Exchange Board of India (Substantial Acquisitions of Shares and Takeovers) Regulations 1997. Subsequent disinvestment by the Government to Indian institutions, small investors and employees will be with reference to the agreement with the strategic partner and requirement, if any, for fresh listing. However, the commission recommends that government should keep a minimum essential control by holding 26% of the shares in ITI.

(iv) If it is advised by the Consultants/Financial Advisers that sale can be for the two separate components mentioned above, it may be necessary to hive-off the second component consisting of the UP factories to a separate company. Shares in ITI and in the new company can then be sold through the process of competitive bidding to the extent of 50 per cent or more.

(v) ITI has a Defence Division in Bangalore where some items of defence requirements are manufactured. This unit may be segregated and merged with Bharat Electronics Limited (BEL) which is also located in Bangalore.

ANNEXURE II

FINANCIAL PERFORMANCE OF ITI LTD.

(Rs. in crores)

	FY 96	FY 95	FY 94	FY 93	FY 92
Operating Income	782.6	1036.6	1527.2	1483.9	1084.7
Operating Profit	-101.8	45.3	369.6	293.1	252.2
Profit After Tax	-284.0	-81.9	84.4	79.6	57.2
Equity Capital	88.0	88.0	88.0	88.0	88.0
Tangible Net Worth	210.4	461.6	521.1	413.1	346.9
Gross Margin (%)	-12.9	4.3	24.1	19.1	23.1
Net Margin (%)	-31.6	-8.6	5.5	5.3	5.2
ROCE (%)	—	4.1	21.2	22.7	19.5
RONW (%)	—	—	16.2	19.2	16.5
Earnings Per Share (Rs.)	—	—	17.3	44.0	55.8
Dividend (%)	—	—	20	16	12

TABLE 2 FINANCIAL PERFORMANCE OF ITI LTD.

Parameter	Pre NEP 91		Post NEP 91			Post NEP 91 & Post NTP 94			
	89-90	90-91	91-92	92-93	93-94	94-95	95-96	96-97	97-98
Sales	959	978	1085	1484	1527	1037	783	1021	1263
Cost of Sales	924	913	1006	1294	1351	1119	1067	1109	1252
PBT	35	66	78	190	176	(-)82	(-)284	(-)88	11
PAT	29	36	57	86	804	(-82)	(-)284	(-)51	15
Working Capital	684	527	522	837	1044	1079	809	719	786
%age of Sales	71%	54%	48%	56%	68%	104%	103%	70%	62%
Borrowings	768	690	677	882	973	994	963	958	907
%age of Sales	80%	71%	62%	59%	64%	96%	123%	94%	72%
Outstanding Sundry Debtors	600	652	783	878	917	758	567	623	771
%age of Sales	62%	67%	72%	59%	60%	73%	72%	61%	61%
Production and (cap-utilisation Switching)									
C-DoT Exchanges (KL)	45	68	158	362	511 (68%)	408 (54%)	319 (43%)	563 (75%)	801 (107%)
OCB 283 Local (KL)	—	—	—	—	60	232	434 (43%)	514 (51%)	950 (95%)
Telephones (lakhs)	6.9 —	7.8 —	5.2 —	6.3 —	7.0 (58%)	8.1 (58%)	8.4 (67%)	8.4 (70%)	103 (85%)

TABLE 3—AVERAGE PRICE PER LARGE SWITCH LINE (IN Rs.)

Rank	April 1994 1.7mn Line	March 1996 1.3mn Line	August 1997 1.6mn Line	Rank
L1	4291 (AMNS)	7299(AMNS)	5356(ITI)	L1
L2	4821(HTL)	7350(SIEMENS)	6063(AMNS)	L2
L3	4928 (SIEMENS)	7389(ERICSSON)	6194(AT&T)	L3
L4	5095 (AT&T)	7439(FUJITSU)	6198(ERICSSON)	L4
L5	5745(FUJITSU)	7505(CGL/NEC)	6218(SIEMENS)	L5
L6	5967(ERICSSON)	7551(ITI)	6226(FUJITSU)	L6
L7	5993(ITI)	7600(HTL)	6348(NEC)	L7
L8	6927(INTELCOM)	7851/8173(AT&T)	6400 (HTL)	L8

Note:

The unrealistic, cut-throat 'entry' price (L1) of AMNS in 1994 was about 78% of the raw material price per line ITI paid out to Alcatel and Alcatel approved vendors. The AT&T actually quoted Rs. 12,735, Rs. 13,344 and Rs. 15,557 per line for the 40K, 20K and 10K Exchanges, but offered a discounted price uniformly at Rs. 5095.

The prices quoted in 1996 were higher partly because of the changes in the specification. The DoT imposed a price of Rs. 5650 on all suppliers.

The low price (L1) quoted by ITI in 1997 was partly due to reduction in excise/customs duties.

Having classified HTL in the non-core category, the Commission recommended three options for disinvestment which may be considered in the order given below:

(i) The possibility of selling 100% shares in HTL alongwith ITI shares may be considered in the process of strategic sale on the lines recommended in case of ITI.

(ii) In the alternative, 50% of shares of HTL may be offered to a strategic partner through a global competitive bidding.

(iii) Lastly, if none of the above options is feasible, it may be advisable to effect a straight sale of the assets of the company through competitive bidding after providing fair and equitable terminal benefits to the employees.

In all cases, it would be necessary to appoint financial advisors to evaluate the company and enable completion of the sale transaction. However for the first two options, the government could appoint the same financial advisors for HTL and ITI.

APPENDIX I

MINUTES OF THE SEVENTEENTH SITTING OF THE STANDING COMMITTEE ON COMMUNICATIONS (1998-99)

The Committee sat on Thursday, the 15th October, 1998 from 15.00 hrs. to 17.00 hrs. in Committee Room 'D', Parliament House Annexe, New Delhi.

PRESENT

Shri Somnath Chatterjee — *Chairman*

MEMBERS

Lok Sabha

2. Shri Dowarka Parashad Bairwa
3. Shri Mahendra Baitha
4. Shri Somjibhai Punjabhai Damor
5. Shri Giridhar Gamang
6. Smt. Sheela Gautam
7. Shri T. Govindan
8. Shri Jay Krishna Mandal
9. Shri Shantilal Purushottamdas Patel
10. Shri Balasaheb Vikhe Patil
11. Shri Baijnath Rawat
12. Shri Chadrashekhar Sahu
13. Shri K. Asungba Sangtam
14. Shri K.L. Sharma
15. Dr. Chhatrapal Singh

16. Shri Nakli Singh
17. Shri Surender Singh
18. Dr. (Smt.) Prabha Thakur
19. Shri P.C. Thomas
20. Shri Surendra Prasad Yadav (Jhanjharpur)

Rajya Sabha

21. Shri Raj Babbar
22. Shri K. Rahman Khan
23. Smt. Chandresh Kumari
24. Shri Kuldip Nayyar
25. Shri K. Kalavenkata Rao
26. Ms. Mabel Rebello
27. Shri Mrinal Sen
28. Shri Shatrughan Sinha

SECRETARIAT

1. Shri P.D.T. Achary — *Joint Secretary*
2. Shri S.K. Sharma — *Deputy Secretary*
3. Shri Bhupesh Kumar — *Assistant Director*

REPRESENTATIVES OF EMPLOYEES' UNIONS AND OFFICERS ASSOCIATIONS OF ITI & HTL LTD.

A. Unions Representatives

Sl. No.	Name of the Representative and Union
1.	Shri Michael B. Fernandes, President, ITI Employees Union Shri V.S. Ramaswamy, Gen. Secretary
2.	Shri L. Pankaj Tripathy, President, ITI Mazdoor Sangh, Naini

Sl. No.	Name of the Representative and Union
3.	Shri Sadan Lal Bajpai, President, ITI Mazdoor Sangh, Rae Bareli Shri Khushi Ram Chaudhry, President
4.	Shri U.P. Singh, President, ITI Karamchari Sangh, Mankapur Shri Ashok Kumar Verma, Gen. Secy.
5.	Shri P.V. Geever, Vice President, ITI Employees Unions, Palakkad Shri C.P. Vishnu Mohan, Vice President ITI Employees Association
6.	Shri G.N. Dar, President, ITI Employees, Srinagar Shri M. Farooq Sheikh, Asstt. Secy. Union

B. Officers' Associations Representatives

1.	Shri Prabhakar, President, ITI Officers' Association, Bangalore Shri J. Manjunath Swamy, Gen. Secy.
2.	Shri Devendra Shukla, President, ITI Officers' Association, Naini Shri S.N. Mishra, Secretary
3.	Shri Ajeet Prakash, President, ITI Officers' Association, Rae Bareli Shri V.K. Mishra, Gen. Secy.
4.	Shri Lalji Bagri, President, ITI Officers' Association, Mankapur Shri O.P. Khanna, Gen. Secy.
5.	Shri M.D. George, Jt. Secy., ITI Officers' Association, Palakkad
6.	Shri M.A. Bhat, Gen. Secy., ITI Officers' Association, Srinagar Shri G.A. Najar, Jt. Secretary

REPRESENTATIVES OF UNION/ASSOCIATIONS FROM HTL LTD., CHENNAI

1.	Shri T.S. Rengarajan	President of Hindustan Teleprinters Employees' Union (External Leader)

2. Shri T. Nandagopal
3. Shri A. Katshinamurthy
4. Shri K. Valayapathy
5. Shri T.A. Jagannathan
6. Shri T.S. Krishnamurthy
7. Shri K. Selvaraj

B. Representatives from HTL Ltd., Officers' Association

1. Shri K. Padmanabhan
2. Shri R. Thulasi Rama Naidu

2. At the outset the Chairman welcomed the representatives of the Employees' Unions and Officers Associations of ITI Ltd. and HTL Ltd. and asked the representatives to give their suggestions/views on the Report of the Disinvestment Commission in relation to ITI Ltd. and HTL Ltd. The representatives of Unions/Associations expressed their views in brief.

3. Then the Committee sought certain clarifications from the representatives and asked questions for elucidations on the recommendations of Disinvestment Commission. The representatives replied to the queries of the Members on the issues of ITI/HTL as a core/non-core industry, reasons for incurring losses during recent past, the standing of these two companies in relation to MNCs, R&D, assistance required from the Government and suggested measures to improve performance and meet the international competition.

4. In the end, the Chairman thanked the representatives for furnishing relevant and valuable information as well as for expressing free and frank views on various points raised by the Members.

5. A verbatim record of the proceedings of the sitting has been kept.

The Committee then adjourned.

APPENDIX II

MINUTES OF THE EIGHTEENTH SITTING OF THE STANDING COMMITTEE ON COMMUNICATIONS (1998-99)

The Committee sat on Friday, the 16th October, 1998 from 11.00 hrs. to 13.30 hrs. in Committee Room 'B', Parliament House Annexe, New Delhi.

PRESENT

Shri Somnath Chatterjee — *Chairman*

MEMBERS

Lok Sabha

2. Shri Dowarka Parashad Bairwa
3. Shri Mahendra Baitha
4. Shri Somjibhai Punjabhai Damor
5. Shri M. Durai
6. Shri Giridhar Gamang
7. Smt. Sheela Gautam
8. Shri Rizwan Zaheer Khan
9. Shri Jay Krishna Mandal
10. Shri Shantilal Purushottamdas Patel
11. Shri Balasaheb Vikhe Patil
12. Shri Madan Vishwanath Patil
13. Shri P. Rajarethinam
14. Shri Baijnath Rawat
15. Shri Krishan Lal Sharma
16. Dr. Chhatrapal Singh

17. Shri Nakli Singh
18. Shri Rajveer Singh
19. Shri Surender Singh
20. Dr. Smt. Prabha Thakur
21. Shri Surendra Prasad Yadav (Jhanjharpur)

Rajya Sabha

22. Shri R.N. Arya
23. Shri K. Rahman Khan
24. Smt. Chandresh Kumari
25. Shri Narendra Mohan
26. Shri K. Kalavenkata Rao
27. Ms. Mabel Rebello
28. Shri Mrinal Sen
29. Smt. Veena Verma

SECRETARIAT

1. Shri P.D.T. Achary — *Joint Secretary*
2. Shri S.K. Sharma — *Deputy Secretary*
3. Shri Bhupesh Kumar — *Assistant Director*

REPRESENTATIVES OF DEPARTMENT OF TELECOMMUNICATIONS

1. Shri A. Prasad, Member (F)
2. Shri R.R.N. Prasad, Member (P)
3. Shri Prakash Narain, DDG (P)
4. Shri B.B. Singh, DDG (PF)
5. Shri P.S. Dhillon, Director (PD)
6. Shri S.S. Motilal, CMD, ITI Ltd.
7. Smt. Lakshmi G. Menon, CMD, HTL Ltd.

2. At the outset the Chairman welcomed the representatives of the Department of Telecommunications and asked the representatives to brief the Members of the Committee on the concept and objectives behind the Disinvestment Policy of Government in relation to ITI and HTL Ltd., views of DoT thereon and the measures proposed to be taken to meet the grievances of the workforce of these public sector undertakings. The representatives of DoT expressed their views on these points in brief.

3. Then the Committee sought certain clarifications from the representatives on various aspects of the recommendations of Disinvestment Commission like VRS facilities to employees, dilution of Government equity, performance of the PSUs and their importance in the present global scenario, competition in the industry. R&D efforts, Managerial Autonomy and Industrial relations etc.

4. The Chairman thanked the representatives for their cooperation and candid response to questions of the Members. The Chairman also assured the representatives that appropriate consideration would be given to the views expressed by them.

5. A verbatim record of the proceedings of the sitting has been kept.

The Committee then adjourned.

APPENDIX III

MINUTES OF THE TWENTY-FIFTH SITTING OF THE STANDING COMMITTEE ON COMMUNICATIONS (1998-99)

The Committee met on Tuesday, the 9th March, 1999, from 15.00 hours to 16.00 hours in Committee Room 'C', Parliament House Annexe, New Delhi.

PRESENT

Shri Somnath Chatterjee — *Chairman*

MEMBERS

Lok Sabha

2. Shri Mahendra Baitha
3. Shri M. Durai
4. Shri A. Ganeshamurthi
5. Smt. Sheela Gautam
6. Shri T. Govindan
7. Shri Jay Krishna Mandal
8. Shri Shantilal Purushottamdas Patel
9. Shri Balasaheb Vikhe Patil
10. Shri Madan Vishwanath Patil
11. Shri Baijnath Rawat
12. Shri K. Asungba Sangtam
13. Shri Harpal Singh Sathi
14. Shri Krishan Lal Sharma
15. Shri Braja Kishore Tripathy

Rajya Sabha

16. Shri Kartar Singh Duggal
17. Shri Kanak Mal Katara
18. Smt. Chandresh Kumari
19. Shri R. Margabandu
20. Shri Narendra Mohan
21. Shri Kuldip Nayyar
22. Ms. Mabel Rebello
23. Smt. Veena Verma

SECRETARIAT

1. Shri S.K. Sharma — *Deputy Secretary*
2. Shri A.S. Chera — *Under Secretary*
3. Shri Bhupesh Kumar — *Assistant Director*

2. The Committee took up for consideration the following Draft Reports:

(i) *** *** ***

(ii) *** *** ***

(iii) Draft Eleventh Report on Recommendations of Disinvestment Commission in relation to ITI and HTL Ltd.

3. The Committee adopted the Draft Reports without any modifications/amendments.

4. The Committee authorised the Chairman to finalise and present/lay the Reports in both the Houses of Parliament.

The Committee then adjourned.