C.P.U. No. 134

COMMITTEE
ON
PUBLIC UNDERTAKINGS
(1968-69)

(FOURTH LOK SABHA)

FORTY-NINTH REPORT

INDUSTRIAL FINANCE CORPORATION OF INDIA

MINISTRY OF FINANCE

(DEPARTMENT OF ECONOMIC AFFAIRS)

LOK SABHA SECRETARIAT
NEW DELHI
April, 1969/Vaisakha, 1891 (Saka)
Price : Re. 1.00

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

Sl No.	Name of Agent	Agency No.
	ANDHRA PRADESH	
1.	Andhra University General Cooperative Stores Ltd., Waltair (Visakhapatnam)	8
2.	G.R. Lakshmipathy Chetty and Sons, General Merchants and News Agents, Newpet, Chandragiri, Chittoor District.	94
	ASSAM	
3.	Western Book Depot, Pan Bazar, Gauhati.	7
	BIHAR	
4.	Amar Kitab Ghar, Post Box 78, Diagonal Road, Jamshedpur.	37
	GUJARAT	
5.	Vijay Stores, Station Road, Anand.	35
6.	The New Order Book Company, Ellis Bridge, Ahmedabad-6.	63
	HARYANA	
7.	M/s. Prabhu Book Service, Nai Subzimandi, Gurgaon. (Haryana.	14
	MADHYA PRADESH	
8.	Modern Book House,' Shiv Vilas Palace, Indore City.	13
	MAHARASHTRA	
9.	M/s. Sunderdas Gianchand, 601, Girgaum Road, Near Princess Street, Bombay-2	6
10.	The International Book House (Private) Limited, 9, Ash Lane, Mahatma Gandhi Road, Bombay-1.	22
11.	The International Book Service, Deccan Gymkhana, Poona-4.	26
12.	Charles Lambert & Company, 101, Mahatma Gandhi Road, Opposite Clock Tower, Fort, Bombay.	30
13.	The Current Book House, Maruti Lane, Raghunath Dadaji Street, Bombay-1.	60
14.	Deccan Book Stall, Ferguson College Road, Poona-4.	65
15.	M/s. Usha Book Depot, 585/A, Chira Bazar, Khan House, Girgaum Road, Bombay-2 BR.	5
	MYSORE	
16.	M/s. Peoples Book House, Opp. Jaganmohan Palace, Mysore—1.	16
	RAJASTHAN	
17.	Information Centre, Government of Rajasthan, Tripolia, Jaipur City.	38
	UTTAR PRADESH	
18.	Swastik Industrial Works, 59, Holi Street, Meerut City.	2
19.	Law Book Company, Sardar Patel Marg, Allahabad-1.	48
	WEST BENGAL	
20.	Granthaloka, 5/1, Ambica Mookherjee Road, Belgharia, 24 Parganas.	10
21.	W. Newman & Company Ltd., 3, Old Court House Street, Calcutta.	44
22.	Firma K.L. Mukhopadhyay. 6/1A, Banchharam Akrur Lane, Calcutta-12	82
23.	M/s. Mukherji Book House, 8B, Duff Lane, Calcutta—6.	4

C O R R I G E N D A

Forty-ninth Report of the Committee on Public Undertakings (1968-69) on Industrial Finance Corporation of India.

Page No.	Para No.	Line	For	Read
3	1.6	2	Euquiry	Enquiry
[illegible]5	3.10	2	tok	took
39	4.7	1	<u>delete</u> the words 'with the IDBI'	<u>after</u> the words 'It took up'
46	5.5	2	reommendation	recommendation
47	5.11	2	reommendation	recommendation
47	5.11	2	disso	dissolved
63	2.16	5	<u>add</u> the word 'to'	<u>after</u> the words 'tried'
65	2.44	14	<u>add</u> the words 'foreign credit from the World Bank and the'	<u>after</u> the words 'available to IFC'
67	2.60	14	suggested	suggest
71	6.17	5	<u>add</u> the word 'and'	<u>after</u> the word 'Central'

CONTENTS

COMMITTEE ON PUBLIC UNDERTAKINGS
(1968-69)

CHAIRMAN

Shri G. S. Dhillon

MEMBERS

2. Shri C. C. Desai
3. Shri Surendranath Dwivedy
4. Shri Bhogendra Jha
5. Shri S. S. Kothari
6. Shrimati T. Lakshmikanthamma
7. Shri Krishnan Manoharan
8. Shri S. N. Shukla
9. Shri Prem Chand Verma
10. Shri Chandrajeet Yadava
11. Shri N. K. Bhatt
12. Miss M. L. M. Naidu
13. Shri Gaure Murahari
14. Shri Rajendra Pratap Sinha
15. Shri D. Thengari

SECRETARIAT

Shri S. C. Mookerjee—*Deputy Secretary.*

Shri M. M. Mathur —*Under Secretary.*

STUDY GROUP II ON FINANCIAL, PROMOTIONAL AND TRADING UNDERTAKINGS

COMMITTEE ON PUBLIC UNDERTAKINGS (1968-69)

1. Shri S. S. Kothari—*Convener*
2. Shri Bhogendra Jha—*Alternate Convener*
3. Shri C. C. Desai—*Member*
4. Shrimati T. Lakshmikanthamma—*Member*
5. Shri Krishnan Manoharan—*Member*
6. Shri D. Thengari—*Member*

SECRETARIAT

Shri S. C. Mookerjee—*Deputy Secretary.*

Shri M. M. Mathur—*Under Secretary.*

INTRODUCTION

I, the Chairman, Committee on Public Undertakings, having been authorised by the Committee to present the Report on their behalf, present this Forty-ninth Report on Industrial Finance Corporation of India.

2. This Report is based on the examination of the working of Industrial Finance Corporation of India upto the year ending 30th June, 1968.

3. The Committee took evidence of the representatives of the Industrial Finance Corporation of India on the 19th and 20th February, 1969 and of the Ministry of Finance on the 24th February, 1969.

4. The material relating to Industrial Finance Corporation of India was processed at various stages by the Study Group II on Financial, Promotional and Trading Undertakings of the Committee.

5. The Report was adopted by the Committee on the 22nd April, 1969.

6. The Committee wish to express their thanks to the officers of the Ministry of Finance (Department of Economic Affairs) and Industrial Finance Corporation of India for placing before them the material and information that they wanted in connection with their examination. They also wish to express their thanks to the non-official organisations|Individuals who, on request from the Committee furnished their views on the working of the Industrial Finance Corporation.

NEW DELHI;
April 25, 1969.
Vaisakha 5, 1891 (S).

G. S. DHILLON,
Chairman,
Committee on Public Undertakings.

I

INTRODUCTION

(a) Historical Background

Prior to Second World War, no well-developed capital market was in existence in India. Government therefore felt the need for a specialised institution for financing industrial enterprises.

1.2. Following the recommendations of the General Purposes Committee of the Planning and Development Department of Government of India, a bill was introduced in the Parliament to establish the Industrial Finance Corporation with a view to provide medium and long term credit to industrial units. On 1st July, 1948, the Industrial Finance Corporation was set-up by an Act of Parliament. This Act has since been amended ten times to enlarge its activities from time to time.

1.3. The Corporation was established with the object of making "medium and long term credits more readily available to industrial concerns in India, particularly in circumstances where normal banking accommodation is inappropriate or recourse to capital issue methods is impracticable."

1.4. An "Industrial Concern" under the Act has been defined to mean any public limited company or co-operative society incorporated by a Central Act or an Act of the Legislature of a State or under any law for the time being in force and registered in India which is engaged or is to be engaged in the manufacture, preservation or processing of goods or in shipping or in mining or in hotel industry or in the generation or distribution of electricity or any other form of power.

The finances of the Industrial Finance Corporation are available for setting up new industrial projects as also for the renovation, modernisation and expansion of existing ones.

(b) Functions of the Corporation

1.5. The type of assistance that the Corporation is authorised to render to industrial concern under the Act at present are as under:—

(a) Granting loans or subscribing to debentures repayable within a period not exceeding 25 years.

(b) Underwriting the issue of stock, shares, bonds or debentures by industrial concerns provided it does not retain any shares etc. which it might have had to take up in fulfilment of its underwriting liabilities beyond a period of 7 years except with the permission of Central Government (now Industrial Development Bank of India).

(c) Guaranteeing loans—

(i) Raised by industrial concerns which are repayable within a period not exceeding 25 years and are floated in public market.

(ii) raised by industrial concerns from scheduled banks or State co-operative banks.

(d) Guaranteeing deferred payments due from any industrial concern—

(i) in connection with the import of capital goods from outside India (with the prior approval of the Central Government).

(ii) in connection with the purchase of capital goods within India.

(e) Guaranteeing (with the prior approval of the Central Government) loans raised from or credit arrangements made with, any bank or financial institution in any country outside India by Industrial concerns in foreign currency.

(f) Acting as agent for the Central Government or with its approval, for the International Bank for Reconstruction & Development (IBRD) in respect of loans granted or debentures subscribed by either of them.

(g) Subscribing to the stock or shares of any industrial concern.

(h) Acquiring with the approval of the IDBI the undertaking including the business, assets and liabilities of any institution the principal object of which is the promotion or development of industry in India, or grant of financial assistance for such promotion or development.

(c) Industrial Finance Corporation Enquiry Committee

1.6. In 1953, as a result of certain allegations regarding the grant of loans made in Parliament during the debate on the Industrial

Finance Corporation Bill, 1952, a Committee called the Industrial Finance Euquiry Committee (known as Sucheta Kripalani Committee) was appointed to enquire into its working. The Committee enquired into the allegations and also examined certain aspects of the working of the Corporation and submitted its Report in May, 1953. The main recommendations of the Committee were regarding appointment of a full time paid Chairman to be assisted by a General Manager, regional panel of advisers, non-domination of the Corporation by big industrial interests, exercise of final authority for sanctioning of loans by the Board of Directors, constitution of a Central Committee, reduction of time in sanctioning loans and disbursing money against loans etc.

(d) Examination by the Estimates Committee

1.7. The working of the Industrial Finance Corporation was examined by the Estimates Committee (1962-63) in their 36th Report presented to Parliament in April, 1963. A report on the action taken by Government on this Report was contained in the 10th Report of the Committee on Public Undertakings (1964-65).

II

OPERATIONS

The granting of loans has been the principal business of the Corporation since its inception. The main activities of the Corporation at present are more or less confined to:

(i) granting of loans and advances both in rupee currency and foreign currencies;

(ii) underwriting of shares and debentures of industrial concerns;

(iii) guaranteeing deferred payments in connection with the import of plant and machinery; and

(iv) guaranteeing foreign loans raised by industrial concerns from foreign financing institutions.

(a) Criteria adopted for grant of financial assistance

As early as 1948, the Corporation had decided that the applications for financial assistance should be judged by the following criteria:

(i) National importance of the industry.

(ii) Experience and competence of the management.

(iii) Feasibility of the scheme.

(iv) Reputation enjoyed by the products of the industrial concern for quality (in the case of an existing concern).

(v) Cost of the scheme as compared with the resources of the industrial concern.

(vi) Whether adequate supplies of raw material will be available over a period of years.

(vii) Whether the concern has adequate technical personnel.

(viii) Whether the aid granted is likely to help the industrial concern to work efficiently and comfortably.

(ix) Security offered and its proportion to the loan.

(x) Whether the industry is one of those whose production exceeds the country's requirements.

2.2. Apart from the aforesaid general criteria laid down in 1948, the Corporation, consistent with the Directives issued to it and the provisions made in the I.F.C. rules, has been laying special emphasis on the following aspects before committing itself to financing any project:

(a) The purpose of establishment of the project is one which has received the approval of the Central Government and where necessary the applicant concern is in possession of a valid licence in respect of the project under the Industries (Development and Regulations) Act,

(b) The project required to be financed by the Corporation has a sound equity debt ratio, and is capable of making adequate profits, from which it can pay back not only the instalments of principal and interest to the Corporation but also reasonable dividend to its shareholders.

(c) The investigations made by the technical and financial teams of the Corporation have revealed that the project is technically, financially and economically viable, and its marketing potentialities are satisfactory.

2.3. In the last quarter of 1965, a number of reasons like paucity of funds with the Corporation, inflationary economy in the country, uncertainty of regular import of raw materials for industry, and the circumstances arising out of military hostilities of September, 1965 compelled the Corporation to formulate a system of *inter-se* priorities to be used as guide-lines in taking up the applications for financial assistance. Accordingly, the following types of projects were placed in the priority category in 1965:—

(i) Industrial projects which would make a significant contribution to the defence of the country.

(ii) Industrial projects which would make a significant contribution to agriculture, particularly additional food production.

(iii) Industrial projects, the implementation of which would make a significant contribution to the country's export earnings.

(iv) Industrial projects likely to effect a significant substitution of imports, which would otherwise have continued.

Because of the limited availability of resources with the Corporation during the year 1965-66, it initiated the policy of sanctioning fresh applications, on a selective basis, and this policy continued during the year 1966-67. The Projects which enjoyed relatively high priority fell broadly into the following categories:

(i) Projects which would make a significant contribution to the increase in food production. These included projects for manufacture of fertilizers, agricultural machinery etc.

(ii) Projects for the manufacture of special alloy steel.

(iii) Projects for increasing the production of cement.

(iv) Projects which would result in substitution of imports.

(v) Projects which were export oriented.

(vi) Projects already assisted by the Corporation requiring additional financial assistance for their completion.

2.4. In pursuance of the Government's decision in August, 1967, that industrial cooperatives namely, sugar, textile and jute, should continue to be financed by IFC, the Corporation has been considering such applications on a special basis.

2.5. In February, 1968 the question of fixing priorities for industrial credit was reviewed by the Planning Commission in consultation with the Central Government, Reserve Bank of India and other financial institutions like Industrial Development Bank of India, Industrial Finance Corporation and Life Insurance Corporation and a view was taken that no detailed list of priorities need be drawn up but that special guidance in regard to the specific industries warranting priority treatment could be offered by the Planning Commission. It was also observed that the financial assistance required for cooperatives, mining schemes and the rehabilitation of traditional industries should be made by financial institutions on a priority basis, but no funds need be specifically earmarked for any industry. The priorities being followed by the Corporation are based on the above principles.

The Central Government has recently allocated a sum of Rs. 5 crores for financing the modernisation and diversification of existing Jute Mills on priority basis in view of the importance of the Jute Industry as valuable earner of foreign exchange.

2.6. The Committee note that the criteria of financial assistance sanctioned by the Corporation has been gradually changing in accordance with the Plan objectives for development of industry.

The Committee would suggest that sufficient publicity should be given to the criteria adopted from time to time for granting loans so that the intending applicants are fully aware of what is required of them.

(b) Loan Operations

2.7. The following table shows the loans applications dealt with by the Corporation during the last three years:

(Amount in crores)

	1965-66		1966-67		1967-68	
	No.	Amount	No.	Amount	No.	Amount
1. Applications received .	215	80·25	128	179·51	107	58·30
2. Applications sanctioned	140	43·25	83	22·55	61	26·73
3. Applications rejected .	15	2·06	4	0·78	6	1·59
4. Applications treated as lapsed or withdrawn .	39	10·34	80	35·84	62	69·22
5. Applications pending	134	51·06	101	122·67	81	60·21

(c) Applications received and sanctioned

2.8. It is seen from the table that the number of applications received from industrial concerns for loans etc. substantially declined from 215 in 1965-66 to 128 in 1966-67. and to 107 in 1967-68.

2.9. The total amount of Rs. 179.51 crores for which financial facilities were asked in 1966-67 was more than the total amount of Rs. 80.25 crores asked for in 1965-66. In 1966-67, however, 32 applications from 17 concerns for various facilities for an amount of Rs. 141.11 crores to be financed jointly with other financial institutions were also received.

2.10. It will also be seen from the table that the number of applications sanctioned declined from 140 in 1965-66 to 83 in 1966-67 and 61 in 1967-68. During the year 1965-66, the financial assistance sanctioned by the Corporation was, however, higher than what was sanctioned during the succeeding years. The substantial decrease in the amounts sanctioned in 1966-67 and 1967-68 was attributed mainly to the shortage of resources with the Corporation and recessionary trends in some industries.

2.11. The Corporation have stated that it received 128 fresh applications in 1966-67 and 107 in 1967-68 as compared to 215 in 1965-66. Mainly the following reasons are stated to be responsible for a lesser number of applications having been received during the years 1966-67 and 1967-68:—

(i) Feeling of uncertainty about the immediate future of economy after devaluation of the rupee in the year 1966-67 and recession in industry in the year 1967-68.

(ii) Increase in the capital cost of the new projects and the operating costs of existing projects resulting in a certain amount of hesitancy on the part of entrepreneurs in embarking upon new projects or expansion of existing ones.

(iii) Continuing idle capacity in certain industries, decline in the general level of demand, rising costs of wages and labour troubles.

(iv) Subdued and sluggish conditions continuing in the capital market.

During the years 1966-67 and 1967-68, the number of applications and the amounts sanctioned were as under:—

	1966-67	1967-68
Number of applications sanctioned	83	61
Amount sanctioned (In crores of Rs.) . . .	22·55	26·73

2.12. The decline in the number of applications sanctioned during these years has been attributed to the following reasons:—

(i) Decline in the receipt of fresh applications for the reasons stated above.

(ii) In view of the limited resources with the Corporation in relation to its outstanding commitments on the previous sanctions, the Corporation was obliged during the year 1966-67 to restrict the grant of financial assistance to projects enjoying relatively high national priority. This phenomenon did not, however, continue during the year 1967-68 when the sanctions continued to be low on account of recessionary trends continuing in some industries.

2.13. In reply to a question whether the Corporation prepares in advance any estimates of the amounts to be sanctioned during a year it has been stated that under Rule 2 of the I.F.C. Rules, 1965, the Corporation prepares only its budget in which only anticipated disbursements are taken into account. The Budget is approved, every year, by the Industrial Development Bank of India. The estimated and actual disbursement during the last three years were as follows:—

Year	Cash Disbursements (Rs. in crores) Estimates	Actual
1965-66	25·25	28·20
1966-67	29·11	32·17
1967-68	23·48	24·24

2.14. The Committee find that besides the fresh applications received by the Corporation, a large number of applications were pending disposal with the Corporation during these years. It would thus appear that there was no shortage of applications. Regarding the limited financial resources of the Corporation, the Committee are convinced that except on few occasions, the Corporation did not suffer from shortage of funds. The Committee are unhappy to note that despite the fact that no paucity of funds existed, the Corporation could not consider adequate number of applications. The Committee trust that the Corporation would process more applications and thereby sanction more assistance in future years by quickening the pace of evaluation of applications and by avoiding adherence to outmoded principles of financial assistance. The Committee wish to emphasise the well-known saying that assistance delayed is assistance denied.

(d) Applications rejected

2.15. During the last 3 years, the Corporation rejected 25 applications out of 309 applications considered by them. The main grounds on which the applications were rejected were uneconomic scheme, unsatisfactory financial position and policy decision of the Corporation. Among the rejected applications there were 7 applications for assistance from the less developed States. In reply to a question whether some concession or facilities were offered to them while considering their applications, it has been stated by the Corporation that while sympathetic consideration is accorded to the applicants concerns from industrially less developed States, no special concession is offered to them *vis-a-vis* other applicant concerns, except that where the project is found to be viable or of national priority, some marginal relaxations may be allowed.

2.16. The Committee note that the incidence of rejection of applications have gone down during these years. Among the applications rejected, there were some applications for assistance from less developed States. The Corporation should have tried to encourage the applications coming from the less developed areas. The Committee are not satisfied that the Corporation have done all it could be encourage the establishment of new industries in those regions by giving them more consideration or looking at them more sympathetically.

(e) **Applications withdrawn or lapsed**

2.17. Out of a total number of 450 applications received during the last 3 years, 181 applications were withdrawn or treated as lapsed—constituting about 40 per cent of the applications received. It will be seen that the incidence of withdrawal markedly increased during the last 3 years.

2.18. The Estimates Committee in their Report on I.F.C. in 1962-63 had recommended that the reasons for such withdrawal should be carefully investigated and suitable remedial measures taken to reduce their incidence. The Government in thier reply had stated that the Corporation would investigate cases of withdrawal in future, and take suitable remedial measures if called for.

2.19. It has been stated in the Annual Reports that the applications were withdrawn because the applicant concerns could not furnish the requisite information or obtain the clearance of the capital Goods Committee or get their industrial licences revalidated or made some alternative arrangements for financing their projects.

2.20. In reply to a question as to what steps the Corporation have taken to reduce the number of withdrawals, the Corporation have stated that withdrawals were largely due to circumstances external to the Corporation. So far as the Corporation is concerned, it has not introduced or stipulated during the last two|three years, any fresh conditions constraining the sanction of financial assistance. It has been stated that I.F.C. has taken several steps to have its procedures simplified and standardised to the extent it is practicable. However, in the matter of granting financial assistance, consistently with the terms of its charter, the Corporation has to act on business principles and to ensure that the projects are, according to the Corporation's standards, technically sound and financially viable and that the relevant Government approvals have been obtained. In cases where the basic requirements of the Corporation are not fully met or are found lacking the Corporation has naturally to insist upon the compliance of these requirements. In respect of applications which are withdrawn by applicant concerns for finance, it is not because of any avoidable difficulties arising out of the Corporation's policies or procedures, but invariably due to the fact that the projects submitted by the concerns do not meet some of the basic requirements or norms of the Corporation, in regard to which no relaxation is feasible.

2.21. The Committee note that there have been a large proportion of withdrawal of applications. The borrower is required to work within his own time schedule for raising resources to finance a project. It would therefore be natural for him to look for an alternative source if he failed to raise funds from IFC in time. The Committee feel that some cases of withdrawal could have been due to delay in the examination of applications. The Committee would therefore recommend that the Corporation should take urgent steps to decide applications more expeditiously to obviate withdrawals due to delay in processing applications.

(f) Industry-wise distribution of loans

2.22. Statement showing loans sanctioned industry-wise and their percentage to total sanctioned amount is at Appendix I. It will be seen that the Corporation has by now covered in its scope of assistance a large variety of industries. In addition to the traditional industries like sugar and textile, the Corporation has financed a number of other industries like fertilizers, industrial chemicals, iron and steel, machine tools, electrical equipments, motor vehicles, agricultural implements, cement, paper, hotels etc.

2.23. In reply to the question as to what relative industrial priorities, were set forth for financial assistance by the Corporation during the Fourth Plan, it has been stated that the priority to be accorded to various industries for extension of credit was last reviewed by the Planning Commission in February, 1968 at a meeting at which the representatives of the Central Government, the Reserve Bank of India, the Industrial Development Bank of India and other financial institutions (including the IFCI) were present. A view was then taken that no detailed priority list need be drawn up, but that the attention of the financial institutions could be drawn by the Planning Commission to specific areas requiring their attention. The financial institutions could also seek guidance from the Planning

Commission on specific schemes whenever required. It was also generally agreed that while funds need not be specifically earmarked for co-operatives, mining schemes and rehabilitation of traditional industries, their requirements should be adequately met on a priority basis within the constraint of resources, subject to the normal financial criteria. The Corporation has been wroking on the basis of the broad guidelines given at this meeting.

2.24. It has been further stated that recently the Corporation was informed that the Central Government had decided to allocate a sum of Rs. 5 crores for financing the modernisation and diversification of the existing jute mills, on a priority basis, in view of the importance of jute industry as a valuable earner of foreign exchange and to entrust the Corporation with the handling of such applications and disbursement of funds. In view of this decision, the Corporation has been giving special attention to the financial requirements of the Jute industry for diversification.

2.25. The Committee note that the industry-wise pattern of financial assistance sanctioned by the Corporation has been gradually changing in accordance with the national importance of the industry, plan priorities, and priorities fixed by the Government from time to time. As a consequence, Sugar and Textile had been accounting for a substantial share of assistance from IFC in the past. Fertilizers, Chemicals, Engineering industry, Iron & Steel and Cement are now receiving the greater attention. The Committee hope that the Corporation would continue to follow the plan priorities initiated from time to time in future.

(g) Assistance to less developed States

2.26. It will be seen from the table at Appendix II that whereas the percentage of assistance sanctioned upto June, 1968 in respect of Maharashtra, Madras and West Bengal to total sanctioned assistance by the corporation was 19.4, 14.5 and 10.7 respectively it was only 2.0, 2.2, 2.4 and 2.7 respectively, in case of Punjab, Assam, Orissa and Madhya Pradesh. In regard to other states it ranged between 2.7 and 7.3.

2.27. In 1948 the Government had issued a directive that "the Corporation shall assist, as far as may be practicable, the industrial development of backward provinces and areas". It was pointed out by the Estimates Committee (1962-63) that "the less developed states have received comparatively less assistance from the Corporation than the industrially more advanced states like Maharashtra, Madras and West Bengal."

2.28. During the evidence, the Chairman, Industrial Finance Corporation of India stated that it was largely true that the bulk of the assistance was still going to relatively more advanced states e.g Madras, West Bengal and Maharashtra, but that did not mean that assistance to under developed States was negligible or that no effort had been made to extend favourable consideration to applications emanating from those areas. The Corporation had a directive that while examining, processing and appraising the applications, it must proceed on business principles and see that they were technically and financially feasible. The Corporation had also been instructed to give special consideration to applications from industrial cooperatives but there again the problem was that these cooperatives were being developed in more advanced states. Generally, an application from an under developed State, if otherwise complete, was taken up first. An application from a more developed State was put to a strict commercial test, but in the case of a less developed State, a more liberal view was taken. In fact, without sacrificing the principles the Corporation was compromising in favour of less developed areas.

2.29. He also informed the Committee that the Planning Commission had appointed a special Working Group to examine whether any special incentives should be given to less developed areas and offer suggestions. The Corporation was awaiting report of the Working Group, and if there was any positive kind of directive or instruction they would certainly try to implement that. The Corporation, on their own could not discriminate between one State or the other.

2.30. Admitting that this was a difficult question, the Special Secretary, Ministry of Finance (Department of Economic Affairs) said in his evidence that Government were concerned about how to make sure that the regions economically backward had more favourable treatment from these institutions. But the difficulty was that these financing institutions could only deal when propositions came to them. The question of IFC alone giving the money would not solve the problem. For developing backward States, a broad based approach including development of the general economy of the backward States, developing their transport facilities etc. were required. The Government was aware of this problem and recently the National Development Council set up a Working Group to suggest how these states could be developed. As a result of the Working Group's findings, the Government would be able to consider whether or not some specific guidelines should be given to the financing institutions.

2.31. The Committee are not satisfied about the quantum of assistance given to the less developed States. Instructions issued by Government to the Corporation in 1948 that they should assist the industrial development of backward areas in order that they may attain a more balanced development, have remained a dead letter. The Committee feel that the Government directive in this regard was clear. In the event of doubt, the Corporation should have sought the clarification of Government as to what category of states or regions were to be treated as backward and the nature of preference to be accorded to them. Moreover, the Corporation should have taken concrete steps on its own also to offer preferential treatment to backward areas. This was not done. The Committee regret that the Government also did not pursue the implementation of their directive. One reason for this neglect of backward areas is that most of the Directors are drawn from metropolitan towns and industrially advanced States.

The Committee recommend that concrete steps should be taken by the IFC and the Government to attract applications from entrepreneurs for establishing industries in less developed areas. In this connection IFC may consider the setting up of educational and consultancy agencies in the less developed regions with a view to offer guidance to entrepreneurs. The Committee hope that the Government will examine the matter fully.

(h) **Distribution of Loans**

2.32. It is seen that the percentage of assistance sanctioned by the Corporation to concerns controlled by "big business houses" (as listed in the Monopolies Enquiry Commission Report) during the last three years was as follows:—

1965-66	41.71 per cent.
1966-67	62.72 per cent.
1967-68	33.85 per cent.

The total assistance sanctioned upto 30th June, 1968, to 43 big business houses was Rs. 10,845.38 lakhs which was 35.56 per cent of the total assistance sanctioned by the Corporation.

2.33. In reply to the question whether big Industrial concerns have been able to obtain loans at the cost af smaller concerns the Corporation have stated that during the year 1966-67, the percentage of assistance sanctioned to concerns controlled by big business houses was the highest *viz.*, 62.72 per cent. This was primarily due to the fact that during that year, the Corporation sanctioned assistance of the order of Rs. 7.00 crores for two Fertilizer projects (M|s Delhi Cloth & General Mills Co. Ltd.—Rs. 2.50 crores and M|s. Indian Explosives Ltd.—Rs. 4.50 crores) The percentage of sanctions to the big groups during the year 1960-61 also was on the high side, *i.e.* 47.97 per cent. This was mainly due to the assistance of the order of Rs. 5.50 crores sanctioned to M|s. Metals Corporation of India Ltd (now a public sector undertaking styled as "Hindustan Zinc Ltd.") for its scheme of setting up an electrolytic Zinc smelter and the assistance of the order of Rs. 6.80 crores sanctioned to M|s. Madras Aluminium Co. Ltd. for its scheme for the manufacture of 10,000 metric tonnes of aluminium ingots, per annum. Likewise, during the year 1965-66, the percentage of assistance to these groups was also high at 41.71 per cent.

2.34 It has been stated that 'big' industrial concerns have not been able to obtain loans or for that matter, any other type of assistance, at the cost of smaller concerns as the Corporation considers applications for financial assistance on the merits of each case, irrespective of the fact whether a project belongs to a big industrial house or a new entrepreneur. It examines each project in the light of its technical, financial and economical viability and only those projects for which industrial licences have been issued by the Government are considered by the Corporation.

2.35. During evidence the Chairman of the Corporation informed the Committee that the Corporation did not go by groups or areas. It was on the basis of suitability of the project that the finances were sanctioned and before conveying the final sanction of bigger loans specific approval of the Government or the appropriate authority was taken.

2.36. The Committee was informed by the Special Secretary of the Ministry during evidence that the Corporation had not shown preference to big business houses, but it so happened that the licences were given in a certain way that the bigger parties got more licences and then sometimes they got larger amount of assistance. It was partly for this reason that the Government had required that IFC should get prior approval of the IDBI when it had given more than three loans to a party and when it gave loan to a single party for more than Rs. 1 crore.

2.37. The Committee feel that there should be a better balance between big, medium and small industrial houses in the matter of providing finance from Government financial institutions.

The Committee are surprised to note that assistance of Rs. 11.85 crores was given to one industrial group. The Committee feel that the IFC should have asked the bigger groups of industries to provide more funds from their own resources than the smaller groups where the Corporation could be more liberal by giving them greater quantum of assistance. The Committee would also urge the Government to keep a watch on the distribution of loans by IFC so that it is done in a more widerspread manner. Regulations should be amended to ensure that monopoly groups are not given financial assistance by the Corporation except with the prior approval of I.D.B.I., so as to discourage the tendency of concentration of economic power in a few hands.

(i) Foreign currency loans

2.38. The Corporation is authorised to borrow with previous consent of the Central Government, foreign currency from bank or financial institutions in any foreign country for the purposes of granting loans or advances to industrial concerns. So far the Corporation has secured foreign currency loans from *AID(USA) *KFW (West Germany) and *BFCE (Paris).

As shown in the table below, the net amount of foreign currency loans sanctioned upto 30th June, 1968 was Rs. 3839.03 lakhs.

	Gross sanctions			Cancellations/ adjustments			Net sanctions		
	Number of loans	Foreign currency (in millions)	Rupees (in lakhs)	Number of loans	Foreign currency (in millions)	Rupees (in lakhs	Number of loans	Foreign currency (in millions)	Rupees (in lakhs)
U.S. Dollars	75	43.55	3229.86	16	11.01	831.83	59	32.54	2398.03
West German Marks	85	96.84	1814.58	18	29.85	559.81	67	66.99	1254.77
French Francs	14	38.10	578.64	5	25.84	392.41	9	12.26	186.23
	174(a)		5623.08	39		1784.05	135(b)		3839.03

*1. Agency for International Development (AID)

2. Kreditans talt fur Wiederaufbair (KFW)

3. Banque Francaise Du Commerce Exterieur (BFCF)

(a) These were sanctioned in respect of 147 applications.

(b) These were sanctioned in respect of 113 applications.

2.39. It will be seen that 39 foreign currency loans applications for an amount of Rs. 1784.05 lakhs were cancelled or withdrawn constituting about 22 per cent of the applications received and about 32 per cent of the amount applied for. Some of the concerns had to make alternative arrangements.

2.40. It has been stated that AID has recently deobligated loan No. 131 of 10 million by $6.00 million; this has seriously affected corporations capacity to provide further sub-loans in U.S. $ to the industrial concerns. The BFCF Credit of FF 50,00 million originally sanctioned to the Corporation has been reduced to FF 25.00 million but the effective amount is being taken as FF 15.00 million on the basis of the indication given by Government. The present position, therefore, is that the Corporation are comfortable only in DM.

2.41. In reply to the question as what were the reasons for deobligation of the amount by AID (USA) and reduction in amount made by BFCE (Paris) the Corporation has stated that (i) with regard to AID LOAN NO. 131 for U.S. $10 million, the total amount of the effective sub-loans sanctioned by the Corporation against this loan aggregated $2.93 million as on the 30th June, 1968. In accordance with the financing procedures stipulated by the AID, they had issued the first letter of commitment to the Corporations bankers in U.S.A. *viz.* the Bank of America, New York, for U.S. $4 million only. The terminal date for completion of disbursements under this loan being the 31st December, 1968, the Corporation approached the AID in November, 1967 to extend the said date upto the 31st December, 1970. This extension was necessary so as to ensure that not only the existing sub-loans were fully utilised but also fresh sub-loans as might be sanctioned against the un-committed amount of the loans, could also be availed by the prospective sub-borrowers. Although the AID Mission in New Delhi called for the Corporation's projections in regard to the utilisation of the loan and the requisite information was duly furnished to them, they ultimately decided mainly on account of slow utilisation to de-obligate the loan by $6 million, thereby decreasing the amount of the loan to $4 million, being the amount for which the Letter of Commitment had already been issued by them to our bankers in New York. Government were, therefore, requested to consider the feasibility of moving the AID against their decision to de-obligate the amount of $6 million out of the above loan. The Corporation was, however, advised by Government that due to reduced foreign aid appropriations by the U.S. Congress this year, AID had been trying to mop up de-obligated funds and savings under old loans so as to enable them to sanction a substantial non-project loan to India, and that, as a step in this exercise. AID, Washington, had decided to de-obligate the amount of $6 million from loan No. 131. In view of this, the Corporation did not pursue the matter further, and had to reconcile itself to the de-obligation of the loan made by AID.

(ii) Regarding the Equipment Credit of FF 50 million made available to the Corporation under the Protocol signed on the 20th October, 1962 it was initially valid upto the 27th December, 1964. As upto the end of October, 1964, it was possible to sanction only four sub-loans aggregating FF 8.59 million and a balance of FF 41.41 million was still left uncommitted, the BFCE, at the request of the Corporation extended the validity of the Credit upto the 27th December, 1966. By September, 1966, the Corporation had, however, sanctioned sub-loans aggregating FF 33.85 million but operations under most of the sub-loans could not commence, mainly, because the sub-borrowers could not get the requisite import licences or industrial licences or conclude the contracts for the supply of equipment with the French suppliers. In the circumstances, a further extension in the validity of the Credit became unavoidable. The Corporation, therefore, requested BFCE in October, 1966 to extend the validity of the Credit upto the 27th December, 1968. While the said extension was granted by the BFCE, they decided to reduce the amount of the Credit from FF 50 million to FF 25 million. The reasons assigned by the BFCE against the aforesaid reduction was that the utilisation of the credit had been rather slow. A representation was made to BFCE against the aforesaid reduction. They were requested to maintain the amount of Credit at least at FF 40 million. They however, could not see their way to agree to the request of the Corporation. Government were also requested to use their good offices in the matter with the appropriate French Authorities. Government, however, took the view that as the utilization of Credit had been slow, the effective amount of Credit could be kept at $ 3 million (i.e. FF 15 million approximately.) The overall decrease of FF 35 million in the amount of the Credit was proposed to be utilised by the Government for direct financing of other projects.

2.42. To a question why the foreign currency remained unutilised and was allowed to be de-obligated and reduced the Chairman, I.F.C. stated during evidence that there were a few typical cases in which delay occured in the finalisation of the Company's programme or in getting formal import licence etc. and that resulted in slow utilisation of the foreign currency. He further informed the Committee that by de-obligation the country had not lost, the credit had been utilised by the Government for some other projects.

2.43. The Committee have also noted that the World Bank foreign currency loans were diverted to ICICI and not given to IFC.

2.44. The Committee regret the failure of the Corporation in utilization of foreign credit which the country requires so much. If proper assessments of the requirements had been made, the deobligation or reduction of these loans could have been avoided and the concerns which were obliged to withdraw their applications or to make alternative arrangements could have also received the necessary foreign exchange from the Corporation. The Committee trust that the Corporation will exercise the utmost care in utilisation of foreign credits in future and take steps to reduce the chances of withdrawal of applications from concerns. The Committee recommend that the Govenment should also consider making available to IFC foreign credit from the World Bank and the credit coming from East European countries.

2.45. It has been brought to the notice of the Committee that the foreign currency loans are repayable to the lending institutions by the Governments after 20 or 25 years, the IFC gives these loans to parties repayable in 9 years or so. There is a clause in the agreement that the borrowing company will be liable to pay any difference owing to fluctuation of rate of exchange during the period of 20 or 25 years.

2.46. The Committee were informed by the Chairman of the Corporation during evidence that they had to take the position over the period of the currency of a loan as a whole. Some of the concerns had objected to it and the Corporation were having this matter legally examined. During evidence the special Secretary of the Ministry also admitted that they would have to look into this matter.*

2.47. The Committee think that when once the loanee company has paid back the foreign currency loan and has discharged its interest liability, it should not be made liable to pay any difference of exchange owing to fluctuation or devaluation during the period of the currency of a loan as a whole. The Committee recommend that this question should be examined by the Government to set right this anomaly at an early date.

---

*Further reply received from I.F.C. at the time of factual verification is reproduced in Appendix III.

2.48. It is conceivable that the loanee company may find itself in a position to pay back to the I.F.C. in rupee the full amount of the foreign exchange loan taken, well before the expiry of the repayment period. In such cases, the I.F.C. should accept such earlier repayments just as is being done in the case of rupee loans. If necessary I.F.C. could obtain a bank or other guarantee from the loanee company to cover the liability of any loss to the I.F.C. that may occur due to any fluctuation or develuation in the foreign exchange rate of the rupee, relevant to the foreign exchange loans, within the original repayment period. By doing this, the I.F.C. would be in a position to make use of the rupee amount that it would receive from the loanee company earlier in settlement of the foreign exchange loans.

2.49. In granting loans, the IFC should be concerned essentially with two matters: in the first place, to see that the loans are correctly used and for the purposes for which these have been given; in the second place, to see that nothing is done which might jeopardise the safety of the loans. The Committee need hardly stress that once the loan has been repaid, there should be no reason for any interference by IFC in the working of the loanee company.

(j) Assistance to Cooperatives

2.50. It has been stated that the Corporation had 19 applications from cooperative societies in 1966, 22 in 1967 and 48 in 1968, and it sanctioned only 3 applications in 1966, 2 in 1967 and 13 in 1968. Besides the applications withdrawn, 12 applications were left pending in 1966, 18 in 1967 and 28 in 1968. It will be seen that the Corporation gave less assistance to the Cooperatives during the last three years and that not even the pending applications were disposed of by corporation in the next year.

2.51. During evidence, the Chairman, IFC informed the Committee that this question was related to the Corporation's total commitments in sugar and textile and also priority given to these two industries in the total context. The Corporation considered this matter in 1965 and found that 33 per cent of its total assistance had been given to those two industries upto June, 1965. When the shortage of funds emerged, the Corporation had taken a policy decision that it should give these industries a low priority and that it should not further consider applications from textile and sugar Co-operative for the time being. The matter was reviewed in 1966 and 1967 and the same decision had been taken due to scarcity of funds.

2.52. Regarding the substantial assistance sanctioned to textiles industries, the Chairman, IFC stated that what had happened was that the Corporation had stated that if the State Governments wanted the textile cooperative to be financed then, they would have to share the risks. The Corporation had further told them that in such cases it would not be content merely with the residuary guarantee but it would insist on an unconditional guarantee so far as textile cooperatives were concerned. Thus in the case of textile cooperatives, when applications were considered, these terms were being included in their letter of intent.

2.53. He further stated that in the case of textiles, the Corporation had been persuaded to consider them favourably, the reason being that they had been licensed quite some time ago. The companies had already incurred some expenditure and it would be national waste to let the expenditure go waste.

2.54. The Committee are not satisfied with the Corporation's arguments for giving less assistance to industrial cooperatives during the last 3 years. The Committee are of the opinion that the quantum of assistance given to industrial cooperatives before 1965 should be maintained.

2.55. The Chairman of the Corporation stated during evidence that in the cases of industrial cooperatives, applications for assistance were received by IFC through the State Governments. The State Governments provided some capital and exercised various kinds of supervisory powers over the cooperatives. The assistance given to the cooperatives had the guarantee of the State Governments and the Central Governmnet. There was no difficulty in processing applications from the cooperatives, but the difficulty was of realizing the money when a cooperative project got into trouble. The State Government had not been helpful in facilitating recovery of the instalments. At that time they depended very much upon the State Government's cooperation and unless State Government's cooperation was available things became very difficult for the Corporation.

2.56. The Committee enquired about the above problem from the representative of the Ministry. The Committee was informed that there was no general reference relating to above matter by the Corporation to the Government. The Government, however, understand that in two cases some arrangements had been arrived at.

2.57. The Committee are surprised to learn that the problem of realising money from the cooperatives was not brought to the notice of the Government by the Corporation. The Committee feel

that the State Government's approach should be helpful in facilitating recovery of the funds from the cooperatives. The Committee hope that Government will look into this matter and strengthen the hands of IFC so that the Corporation could get back the funds from the cooperatives. The Committee also recommend that the State Government's guarantee should not be confined to residuary guarantee but it should be an unconditional guarantee, and if cooperatives default in repaying instalments for more than a year, the State Government's guarantee should be invoked and money realised from such state Government.

(k) Loan application form

2.58. It has been suggested to the Committee that all the Financial institutions may evolve a common loan application form seeking various details and also standardise the legal procedure required to be followed in this behalf.

2.59. In this connection, the Corporation has stated that the adoption of a common form of loan application for use by industrial concerns requiring financial assistance from the different institutions, is a desirable step, and the matter is already engaging the attention of the IDBI. The Corporation has not been insisting on an application in its own form where an application is made to another institution. Regarding the standard legal forms, the Corporation has stated that its printed legal forms had already attracted the attention of IDBI and the other institutions and they are also trying to standardise the legal documents on the pattern of the Corporation.

2.60. The Committee feel that evolving a common loan application form for seeking various details and also to standardise the legal procedure required to be followed in this behalf is a desirable step. Generally financial requirements of an industrial unit are met by a number of lending institutions. If all such institutions process the loan applications and draft legal documents individually, the result will be delay in assistance and inconvenience to the borrowing concern. The Committee are happy to learn that the IDBI has already taken up this matter and hope that a common loan application form and standard legal form will be evolved in the near future. The Committee also suggest that some arrangement may be arrived at under which the results of investigations by one Government Institution of a concern are made available to other Government financial institutions, and the duplication of the said work is avoided as far as possible.

(l) Underwriting operations

2.61. Another activity entrusted to the Corporation under the Act is to underwrite the issue of stocks, shares, bonds, or debentures of the industrial concerns. The table below shows the underwriting operation dealt with by the Corporation during the last four years.

(Rs. in lakhs).

Year	Amount under-written or shares, debentures etc.	Amount devolved on the corpora-tion	%of amount devolved
1964-65	375·00	317·49	84%
1965-66	422·45	317·86	88%
1966-67	231·50	217.41	84%
1967-68	138·50	83·74	60%

2.62. It will be seen from the above table that the amount devolved upon the Corporation every year was very large and percentage of devolved amount had been increasing till 1966-67.

2.63. It has been stated by the Corporation that shares/debentures of the value of Rs. 21.12 crores had been underwritten by the Corporation upto 30th June, 1968 and out of this amount shares/debentures of Rs. 17.42 crores had to be taken up by the Corporation in pursuance of the underwriting obligations. Further, out of 89 companies whose shares/debentures were underwritten during the last 3 years, the issues of only 2 companies were fully subscribed by the public, leaving the other 87 issues to be taken up by the Corporation.

2.64. During evidence the Chairman of the Corporation further informed the Committee that in underwritting operation, the Corporation followed the normal procedure. Most of these shares/debentures which the Corporation had undertaken were of new concerns with long gestation period. They had to be taken up because there was general sluggishness in the capital market, resulting in poor response from the public. They could only sell the shares at a heavy loss, which as far as possible they would not like to do.

2.65. The Committee are unhappy to note that the Corporation had taken up shares|debentures of a very high amount in pursuance of the under-writing obligation. This has resulted in blocking of capital which could have been utilised in a better way. The Committee desire that the Corporation should gear up its Investment Department so that it might study the investment market carefully in future and ensure that underwriting is done in respect of sound concerns, so that the incidence of devolution is not high.

(m) Time taken for processing applications

2.66. The Corporation has stated that normally it takes three to six months for processing an application for financial assistance, and on an average disbursement is made in instalments about a year after the loan is sanctioned by the Corporation.

2.67. The Government have stated that a period of three to six months for processing applications is not considered as excessive. It is necessary for the IFC to satisfy itself about a viability of the project, security offered, market for the product, IFC has also to satisfy itself that the applicant has got the necessary clearance from the Capital Goods Committee. As regards the delay in the disbursement, it has been stated that the period of one year does appear long but it is understood that it is mainly due to two factors, *viz.*, delay in verifying the title deeds, especially in the case of land and the delay on the part of the entrepreneur in starting the project, because of certain formalities. The IFC is trying its best to improve its procedures so as to cut down the delay. It has, however, been admitted that there is scope for improvement in the position. Since this is an operational function of the Corporation and the Government does not interfere in its day-to-day operation, Government have no particular suggestion to offer in the matter beyond asking the IFC to streamline its procedures.

2.68. The Committee found that there is truth in the general complaint that the time taken in processing the applications and disbursement of loan by IFC is unduly long. Much of the delay is contributed by the rigid and unimaginative observance of the rules in processing loan application by the Corporation. Other lending institutions process such application in a more expeditious manner, taking a broad view in assessing the fulfilment of preliminary conditions. The Committee recommend that the Corporation should adopt a practical approach to this problem and follow the pattern set by similar lending institutions in India and abroad for processing the applications expeditiously with a view to curtail the time factor,

(n) Loans given to concerns in which Directors of the Corporation were interested

2.69. During the last three years there were 35 concerns to whom financial assistance was sanctioned by IFC and in which Directors of the Corporation were interested. The Directors were mostly interested as ordinary shareholders. There were 7 concerns out of 35, in which a Director of the Corporation was also a Director in the applicant concern.

The aggregate amounts applied for by the aforesaid 35 concerns during the last three years, and the amounts sanctioned, disbursed and outstanding there against, as on the close of 30th June, 1968 were as under:

(Rs. in lakhs)

	Loans	Under-writings	Guaran-tees	Total
I. Amounts applied for .	*3501·55	*595·00	*2402·60	*6499·15
II. Amounts sanctioned by the Corporation during the last three years . .	1633·93	255·00	463·60	2352·53
III. Disbursements made upto 30-6-1968 . .	443·26	215·56	375·31	1034·13
IV. Amounts outstanding as on 30-6-1968 . .	441·26	165·56	375·31	982·13
N.B. (*) Includes amount applied jointly with other institutions . . .	2251·00	360·00	2139·00	4750·00

2.70. To a question why large amounts were outstanding against these concerns, the Corporation has stated that in so far as loans and guarantees are concerned, the repayments are always made in accordance with an agreed repayment schedule which extends normally from 10 to 15 years in respect of loans and 5 to 10 years in respect of guarantees. Thus, the entire amount advanced or guaranteed in any case would be cleared neither immediately, nor in one or two years, but over a longer period as stipulated in the schedule in each case. In a repayment schedule, normally three years' moratorium is allowed *i.e.*, repayment by half-yearly or annual instalments starts after a period of about 3 years after the initial disbursement of the loan. The grace period of 3 years is allowed because as a rule any industrial project would take a period of 3 to 4 years to go into commercial production and start generating cash for meeting loan obligations. In the case of underwritings, the amount shown against disbursement represents the amount paid-up on shares or debentures taken up in pursuance of the obligations. The investments thus made remain outstanding from year to year, and are shown as such unless they are liquidated in the ordinary course. Under the IFC Act, the Corporation can hold these investments for a period of seven years from the date of their being taken up and thereafter they can be retained with the permission of the IDBI.

2.71. It has been further stated that in the case of most of the new industrial projects, the gestation period is fairly long. They do not reach the dividend paying stage for at least 5|6 years. During this period, the equity shares of the new companies are quoted at a discount and the Corporation cannot dispose of these shares except at a heavy loss. It is the Corporation's policy to dispose of its investments in shares, if it can do so, without much loss. Thus the extent to which the Corporation is in a position to dispose of its investments depends on market conditions and other relevant factors.

2.72. It has been stated in the Annual Report, 1967-68 that debts due by concerns in which the Directors of the Corporation are interested as Directors and shareholders, Directors or members of the Managing Agency concerns are as follows:

(i) Debts aggregating Rs. 24,05,33,688 are due by concerns in which the Directors of the Corporation are interested as shareholders only.

(ii) Debts aggregating Rs. 82,46,482 are due by concerns in which the Directors of the Corporation are interested as Directors or Members of the Managing Agency concerns.

(iii) Debts aggregating Rs. 4,80,17,149 are due by concerns in which the Directors of the Corporation are interested as Directors.

2.73. In reply to a question why large amounts are overdue from concerns in which the Directors of the Corporation are interested, the Chairman, IFC during the course of evidence stated that these amounts are overdue from concerns in which the Directors are mostly interested as members but not as Directors.

2.74. As regards the figure of Rs. 426.52 lakhs given at p. 53 of the Annual Report for 1968 in respect of principal or interest overdue by concerns in which Directors of the Corporation are interested, the Ministry of Finance has furnished the following note:

"In the split up of the total sum of Rs. 426.52 lakhs, Messrs, Ashok Paper Mills Ltd. and Mandya National Paper Mills Ltd. alone account for a total sum of Rs. 426 15 lakhs. The details are as follows:

	(Rs. in lakhs)
(i) M/s. Ashok Paper Mills Ltd.	272·59
(ii) M/s. Mandya National Paper Mills Ltd. . . .	153·56
(iii) M/s. Leiner Knit Gelatine Co. Ltd.	0·31
(iv) M/s. Shah Construction Co. Ltd.	0·06
Rs.	426·52

Dr. R. N. Bhargava, a Director of the Industrial Finance Corporation nominated by the Industrial Development Bank of India had been a shareholder of M|s. Ashok Paper Mills Ltd. and Mandya National Paper Mills Ltd. prior to his nomination on the Industrial Finance Corporation Board. It is understood that Dr R. N. Bhargava holds only a nominal small shareholdings of 600 shares of Rs. 10 each in Ashok Paper Mills Ltd. He held a small number of 200 shares of Rs. 10 each in Mandya National Paper Mills Ltd. which have been sold by him. These are|were small holdings giving no controlling interest or other interests to Dr. R. N Bhargava except that of an ordinary investor. He is also not a director|member of the managing agency of any of these concerns.

In the case of M|s. Leiner Knit Gelatine Co. Ltd. from which a small sum of money is overdue, Shrimati Raksha Saran, a director of the Industrial Finance Corporation nominated by the Insurance Companies Investment Trust and Life Insurance Corporation was a shareholder-cum-director of the company long before she was nominated on the Industrial Finance Corporation Board. It is understood that in their case interest in arrears has since been cleared and as for instalment of principal re-scheduling of the loan has been agreed to as part of a scheme of reorganisation of the Company under which it will be managed by M|s. Shaw Wallace & Co., who have experience in the line.

In the case of Shah Construction Co. Ltd. from which also a small sum is overdue, Shri N. A. Kalyani is a shareholder and the Dollar sub-loan in respect of which the default occured was sanctioned before Shri Kalyani was elected on the Corporation Board."

2.75. The Committee feel that large amounts over-due from concerns in which the Directors of the Corporation are interested in one form or the other does not show a healthy state of affairs in a financial corporation. Technically the Directors may be members or shareholders of the concerns but actually the concerns may belong to an industrial group represented by the Directors. The Committee recommend that the Directors of IFC having interest in concerns from which large amounts are over-due should cease to be Directors of the Corporation. Efforts should be made to recover such over-due instalments expeditiously.

2.76. The Committee find that in the Banking Laws (Amendment) Act, 1968, it has been provided that no banking company shall,

> "enter into any commitment for granting any loan or advance to or on behalf of—
>
> (i) any of its directors.
>
> (ii) any firm in which any of its directors is interested as partner, manager, employee or guarantor, or
>
> (iii) any company (not being a subsidiary of the banking company or a company registered under section 25 of the Companies Act, 1956, or a Government company) of which any of the directors of the banking company is a director, managing agent, manager, employee or guarantor or in which he holds substantial interest, or
>
> (iv) any individual in respect of whom any of its directors is a partner or guarantor."

The Committee suggest that the feasibility of extending the above wholesome principles to Government financial companies such as the Industrial Finance Corporation may be considered, so as to debar grant of loan by a Government financial institution to a company in which its Director (other than a Government official representing a Government Department|Government organisation) is interested as a director, partner, guarantor etc.

Pending examination of the above policy. Government may consider issuing a directive to the IFC that if a company in which a Director of IFC is interested as a director, partner, guarantor etc., the director should not only withdraw from the Board meeting of the Corporation when the loan application comes up for consideration but severes his connections with the Corporation before the application for financial assistance is taken up for consideration by I.F.C.

III

DEFAULTS IN REPAYMENT

The table given below shows the amounts which were due by way of principal and interest and the outstanding defaults on loans under each category during the last four years.

(Rs. in lakhs)

Year	Principal		Interest	
	Amount due	Amount at default	Amount due	Amount at default
1965	512·39	22·22	502·18	36·86
1966	672·03	38·83	909·65	61·42
1967	784·13	80·02	801·69	116·82
1968	928·16	649.32	940·19	202·81

3.2. It will be seen from the table above that the defaults have been increasing during the last 4 years. The Corporation has 48 defaulting concerns on the list. Generally, the defaults are stated to be caused by bad planning, labour troubles and inadequacies of management. Repayment of loans by assisted concerns constitute an important source to the Corporation for sanction of further assistance to industries. Of late, the Corporation has experienced increasing difficulties in realising its dues and enforcing its remedies against the defaulting concerns.

3.3. The loans to sugar and textiles cooperatives were guaranteed by the Central and State Governments. There have been defaults in the payment of instalments of principal and interest, but inspite of repeated requests to the guarantor Governments by the Corporation for clearing the defaulted amounts, there has not been adequate response. In such cases, it is also embarrassing for the Corporation to take legal action.

3.4. Under section 28 of the I.F.C. Act the Corporation is authorised to take over the management of a concern which has defaulted payments. Apart from the power to take over the management of an industrial concern under Section 28 of the IFC Act, the following courses are also open to the Corporation for recovery of its dues:—

(i) Invoke the provisions of the Principal Deed of security which is normally in the form of "English Mortgage" and gives the Corporation the right to sell the mortgaged premises without the intervention of the Court as also the right to lease out the premises for the realisation of its dues.

(ii) Invoke the provision of Section 30 of the IFC Act which gives the Corporation the power to move an application before the District Judge within whose jurisdiction the mortgaged premises are situated for one or more of the following reliefs:—

(a) for an order for the sale of the property pledged, mortgaged, hypothecated or assigned to the Corporation as security for the loan or advance, or

(b) for transferring the management of the industrial concern to the Corporation, or

(c) for an *ad interim* injunction where there is apprehension of the machinery or equipment, being removed from the premises of the industrial concern without the permission of the Board.

(iii) File a regular comprehensive suit against the defaulting concern as well as the guarantors in a Court of Law, within whose jurisdiction the mortgaged premises are situated.

3.5. It has been stated that so far, the Corporation has exercised the power to take over the management only in one case *viz.* Messrs. Sodepore Glass Works Ltd. As the experience gained from the exercise of this power in the above case was not a happy one, the Corporation has not thought it expedient to exercise this power in the case of any other defaulting concern.

3.6. It has also been stated that before the Corporation decided to take any of the above mentioned courses of legal action, the Corporation advised the defaulting concern to immediately clear the default, the Managing Directors or Director or the authorised representatives of the assisted concern in default were asked to call on the

Head Office of the Corporation when they were pressed for payment. If all these steps failed to evoke satisfactory response and no suitable proposals were put forward for clearing the default, the outstanding loans were recalled and a suitable legal action as mentioned above was initiated for the recovery of its dues.

3.7. In reply to a question as to what machinery I.F.C. have for checking up defaults and whether they have a system to keep a constant watch over the loanee companies, it has been stated that for looking into the financial position of the assisted concerns and to pursue the recovery of amounts due to the Corporation on due date, there is a Ledgers Division as also a Projects Department organised on industry-wise basis at the Head Office. While the notices for interest|instalments of principal are issued by the branch offices, copies of which are endorsed to the Head Office, the Ledgers Division maintains the duplicate loan accounts of the assisted concerns and watches the recovery of instalments of principal and interest etc. on the due date. When there is a default in payment of the amount due to the Corporation by a concern on the due date, the Ledgers Division reports matter to the concerned Division of the Projects Department for taking follow-up action for recovery of the amount in default. The Industry-wise divisions of the projects Department which deal with the processing of applications for financial assistance also look after the operational and follow-up aspects of the assisted projects. In the event of a default taking place, these Divisions follow-up the matter with the defaulting concern generally through the Branch Office. Where, however, legal action in respect of remedies available to the Corporation, in a particular case, has to be taken, this department handles that work in consultation with the Legal Department. The Branch Offices of the Corporation also serve as a vital link between the Head Office and the defaulting concerns as also for keeping a watch on the affairs of such a concern. In the close follow-up of the loans by it lies the success of any financial institutions and the Corporation has not been oblivious to this fact. Throughout the currency of loans, the Corporation continues to keep in close touch with the assisted concerns in the implementation and operation of their projects, without however, taking an active part in the management of the concern.

3.8. The Corporation has furnished a list of the following companies which were in default and have either closed down or have gone into liquidation.

(Rs. in lakhs)

Name of the company	Year from which in default	Amount outstanding
1. M/s. Solar Battaries & Flash Lights Ltd.	1953	9·37
2. M/s. Link Industries Ltd.	1957	3·28
3. M/s. Chitale Sugar Works Ltd.	1962	29·60
4. M/s. Ashok Paper Mills Ltd.	1965	385·90
5. M/s. Thakur Paper Mills Ltd.	1965	21·12
6. M/s. Assam Hardboards Ltd.	1966	117·63
7. M/s. Agrind Fabtication Ltd.	1967	10·24
8. M/s. Ranga Vilas Ginning, Weaving & Shinning Mills Ltd.	1967	17·20
9. M/s. Mandya National Paper Mills Ltd. (Just re-stated)	1964	159·79
10. M/s. Cannanore Shinning & Weaving Mills, Ltd.	1968	5·08

3.9. The following are particulars of some major concerns which are in default in payment of interest and principal with the Corporation and the action taken against them by the Corporation.

1. ***M|s. Solar Batteries and Flash Lights Ltd. (in Liquidation)***

Rs. in lakhs

Year from which in default	*Amount outstanding*
1953	9·37

The assets of the company were sold by the Corporation in April, 1961 for Rs. 12·00 lakhs. For the balance amount, a suit was filed in the Bombay High Court in March, 1964 against the guarantors of the loan *viz.* L. C. Jariwala, Smt. Savita Devi Jariwala and Shri Jeydeo Prasad Vithaldas. In October 1964, the Corporation was informed by the solicitors that the case had been transferred to the list of long causes and was, therefore, not likely to be heard for a considerable time. The case is pending in Bombay High Court. The Corporation is following the matters with M|s. Crowford Baylay & Co., Solicitors.

A provision of Rs. 10·00 lakhs has, however, been made in the books of the Corporation as "Reserve for Bad & Doubtful Debts" to meet any shortfal lin this account.

(2) *M/s. Link Industries (In Liquidation)*

(in lakhs)

Year from which in default	*Amount outstanding*
1955	3·28

As a result of poor production and sales due to non-availability of raw materials etc. the cash resources of the Company were depleted by losses. The Company could not therefore, meet its obligations to the Corporation for the payment of instalments of principal and interest.

The Corporation took possession of the Mortgaged assets in May, 1955 and subsequently sold them to M/s. Zip Industries Ltd., for Rs. 5 lakhs. The Corporation thereafter filed a suit in Madras High Court in August, 1958 against the guarantors of the loan for recovery of the balance dues which is still pending.

(3) *M/s. Chitale sugar Works Ltd. (In Liquidation)*

(In lakhs)

Year from which in default	*Amount outstanding*
1962	29·60

Considering the various unsatisfactory features, particularly the fact that the management could neither be expected to arrange for the requisite funds (of the order of about Rs. 60 lakhs) to complete the project despite ample opportunities having already been given to them, nor to provide the necessary entrepreneurical talent to run the factory successfully, the balance of the loan of Rs. 12 lakhs was treated as not made available to the Company. The Corporation, however, pursued with the Maharashtra Government (who showed some interest) the proposal for the formation of a cooperative Society to purchase the assets of the Company at a Court auction, the sale proceeds being utilised partly for liquidating the dues of the Corporation and partly for payment of over Rs. 17 lakhs to the unsecured depositors as and when their deposits matured and to complete the project, but this did not materialise. On the 22nd September, 1967, arising out of a petition filed by one of the unsecured creditors, the Bombay High Court ordered, the winding up of the Company and appointed an official Liquidator for the purpose. With a view to safeguarding its interests, the Corporation filed an application in the High Court on the 24th October, 1967 under Section 30 of the IFC Act for the sale of the mortgaged assets through the Receiver. In the meantime, steps are underway for the sale (by public tender) of the properties of the Company by the official Liquidator under the directions of the Court. The sale proceeds would be utilised, in the first instance, to clear the dues of the Corporation.

4. *M/s. Associated Industries (Assam) Ltd.*

(In lakhs)

Year of default	*Amount in default*
1964	Rs. 15·58

In view of the continued defaults, the Corporation served a legal notice on the Company and the guarantors in December, 1966, calling up the entire loan. Thereafter, in April, 1967, the State Government (who are holding preference and equity shares to the extent of Rs. 15 lakhs and Rs. 8:19 lakhs respectively) intervened and came forward with a scheme of rehabilitation and urged that action on the part of the corporation to enforce the security and realise its dues would give a set-back to the pace of industrialisation in a less-developed State like Assam. The Corporation did not accordingly, proceed with further legal action against the Company. A technical-cum-financial inspection of the Company was carried out in August, 1967, by the Officers of the Corporation and their assessment was conveyed to the State Government. Recently, the State Government came forward with certain further proposals for extending assistance to the company and for rehabilitating its operation. These proposals envisage acceptance by the Corporation of revised schedules of repayment of the rupee loan and the dollar subloan. In order to assess how far the proposed assistance from the State Government would prove purposeful, it is proposed to carry out a fresh appraisal of the project, on receipt of the requisite data, which has been called for from the Company. Further steps in the matter would be taken thereafter.

(5) *M/s. Mannam Sugar Mills Cooperatives Ltd.*

(In lakhs)

Year from which in default	*Amount in default*
1965 . . .	Rs. 23·20

The question of the recovery of the Corporation's dues has been taken up with the State and Central Governments, and the question has been under correspondence with them for a long time.

In June 1967 the Government of Kerala (who have guaranteed the loan on a 50:50 basis with the Central Government) appointed a Committee to look into the affairs of the Society and to suggest ways and means of improving its working. The Committee submitted its report in September, 1967 and its recommendations, the Corporation are informed are in the process of implementation.

In May 1968, the affairs of the Society were discussed by the Corporation with the representatives of the State and Central Governments and Corporation were taking suitable steps for the resuscitation of the Society. The proposals of the State Government for the immediate clearance of the interest in default are awaited.

(6) *M/s. Ashok Paper Mills Ltd. (closed)*

(In lakhs)

Year from which in default	*Amount outstanding*
1965	Rs. 385·90

There was heavy over-run in the cost of the project. The Company could not make necessary financial arrangement for completing the project. One of the original promotor of the project, *viz.* Maharaja of Durbhanga died and this added to the difficulties of the Company. The other promotor Shri B. L. Sharma of Baidynath Ayurved Bhawan had no adequate standing, experience and resources for mobilisation, adequate financial and management support for completing the project.

An application was filed by the Corporation under Section 30 of the IFC Act in the Calcutta High Court in September, 1966 for sale of the mortgaged assets. The Calcutta High Court passed an order and decree on 19th July, 1968 for the sale of mortgaged assets of the Company and further action in regard to the steps to be taken for the sale of the mortgaged assets are engaging the active attention of the Corporation.

(7) *M/s. Thakur Paper Mills Ltd. (In Liquidation)*

(In lakhs)

Year from which in default	*Amount outstanding*
1965	Rs. 21·12

Legal notices were issued to the Company as also to the guarantors of the loan on the 11th May, 1967 recalling the entire loan advanced to the Company, with other dues on account of interest etc.

An application under Section 30 of the IFC Act was filed on the 3rd July, 1967 in the court of the District Judge at Darbhanga (simultaneously with the Bihar SFC who have also advanced a loan to the Company on a part-passu charge with the Corporation on the fixed assets of the Company) for sale of the mortgaged assets to realise the dues of the Corporation. The court has issued interim attachment and injunction on the mortgaged assets. The applications of the Corporation as also that of the Bihar SFC are pending before the court. In the meantime, the Corporation in consultation with the Bihar SFC is taking steps to have a Receiver appointed for the Company to look after the safety and security of the mortgaged assets.

3.10. It will be seen from the above-mentioned cases of defaults that in most of the cases the Corporation tok a long time to take action against the defaulted concerns and to safeguard its interests. In some cases the outstanding amounts are quite heavy and it would be difficult for the Corporation to realise the defaulted amounts from these concerns.

3.11. In reply to a question whether the Government have at any time looked into the repayment problem of the Corporation, the Government have stated that the pursuit of defaults in repayment is an operational matter with which the Government is not specifically concerned. Government have, therefore not looked into the specific repayment problems of the Corporation. The Government is, however, generally aware of the difficulties of the borrowing concerns as a result of the devaluation of the rupee as well as the recessionary trends which developed lately in the economy. Government have also on occasions examined how the interests of the Corporation could be protected (as in the case of Ashok Paper Mill where the Industry Ministry had at the instance of the IFC taken up the matter with the Bihar Government and in the case of Mandya Paper Mills where the Industry Ministry have had several discussions with the project authorities as well as the State Government, State Financial Corporations, the foreign collaborators, with a view to persuading the foreign collaborator to bring in more capital and to improve the working of the project). It has been further stated that the guarantees given by the State Governments (as also by the Central Government) in the case of cooperatives are generally of the residuary type. That is to say that the guarantor cannot be called upon to make good any default unless the Corporation has exhausted all remedies available to it under the mortgage deed. It is only to the extent of the shortfall in the realisation that the guarantor is expected to make good the default. The question of general reluctance to honour commitments in regard to guarantees would not, therefore, seem to arise. Nor has the IFC sent any communication to Government to this effect. It is understood that two specific instances of Cooperative Sugar factories in Kerala where the Corporation was experiencing difficulties in realising its dues were referred by the Corporation to the Ministry of Food and Agriculture. That Ministry, therefore, called a conference of the interested parties including the State Government and certain arrangements were agreed to for resolving the difficulties. One of the Cooperative societies is understood to have since paid off its dues of interest.

3.12. The Committee regret to note that a large number of defaulting concerns appear on the list of the Corporation and their number is on the increase during the last four years. In some of the cases, the Corporation took a long time to initiate action for the recovery of its outstanding dues, with the consequence that 10 concerns have either closed down or went into liquidation. The Committee are of the view that the IFC should not hesitate to initiate prompt and timely action to realise the outstanding dues from concerns showing signs of running into defaults.

The Committee recommend that before advancing loan, IFC should carefully examine the stability of the borrowing concerns—review their activity with care—and evolve a method as to how best to effect the quick realisation of their money from defaulting concerns in consultation with the Government, if necessary.

IV

FINANCIAL POSITION

(a) Capital

The authorised capital of the Corporation has been fixed by the Act at Rs. 10 crores divided into twenty thousand fully paid up shares of Rs. 5000 each, out of which Rs. 8.35 crores has since been paid up. The first share issue of Rs. 5.00 crores was made in July, 1948, and the second issue of Rs. 2.00 crores was made in March, 1961. The third issue of Rs. 1.35 crores made in August, 1964 was wholly taken up by the Industrial Development Bank of India (IDBI) in order to comply with the provisions of Section 4(a) and (b) of the IFC Act, 1948, which provides that IDBI shall hold not less than 50 per cent of the paid up capital of the Corporation. The existing paid up share capital of Rs. 8.35 crores stands distributed among the various institutions as follows:—

IDBI ..	50 per cent.
Scheduled Banks	20 per cent.
Insurance concerns etc. ..	22 per cent.
Cooperative Banks	8 per cent

(b) Borrowings

4.2. The Corporation in order to increase its resources, has been issuing bonds from time to time in the market under Section 21(1) of the Act, which carry the guarantee of the Central Government. The aggregate amount of outstanding bonds as on 31st May, 1968 is Rs. 43.29 crores. The total amount of Bonds and debentures issued and the money borrowed from the Central Government, IDBI and RBI outstanding shall not at any time exceed ten times the amount of the paid up share capital and the reserve fund of the Corporation.

4.3. Under Section 21(3) and (4) of the Act the Corporation is authorised to borrow money from the Central Government or the Industrial Development Bank and the Reserve Bank of India.

4.4. The Corporation's borrowing from the Central Government amounted as on 31st May, 1968 to Rs. 72.25 crores after accounting for repayments. The Corporation has not, however, borrowed any amount so far from the IDBI. Borrowing from the Reserve Bank are resorted to for temporary periods for meeting the urgent commitments of the Corporation and these are adjusted as soon as funds become available to the Corporation from other sources.

4.5. The total amount of the borrowing from the Central Government and the bonds outstanding had aggregated Rs. 115.053 crores as on 31st May, 1968 which is at present within the permissible limit of Rs. 133.80 crores. The Corporation has stated that there is only a marginal scope for the Corporation for issue of further bonds and for further borrowings from Government, IDBI|RBI to meet its present and future commitments.

4.6. The Corporation has stated that it was obliged to restrict the grant of financial assistance to industrial concerns due to paucity of funds during the years 1965-66 and 1966-67.

4.7. It took up with the IDBI in June, 1966, the question of increasing the borrowing limit of the Corporation under Section 21 of the IFC Act with the Industrial Development Bank (IDBI), so that the Corporation could continue to raise resources for financing its operations unhampered as the gap of further borrowing under Section 21(4) of the IFC Act was then only Rs. 14.26 crores. There were two ways open to the Corporation for increasing the borrowing limit, namely—(i) increasing the paid up share capital and reserves and (ii) amendment of the provisions (1) and (4) of section 21 of the IFC Act, by increasing the borrowing limit from the present 10 times to a suitable higher level. The Corporation suggested the following two amendments to the IFC Act to increase its financial resources.

(i) Authorised Capital

Under the Act, the existing Authorised Capital of the Corporation is Rs. 10.00 crores of which Rs. 8.35 crores stands issued and fully paid-up. It is, therefore, felt that the Authorised Capital of the Corporation may be increased to Rs. 20.00 crores by making an amendment to the Act.

(ii) Borrowing powers

(i) At present the total borrowings of the Corporation are not to exceed ten times the amount of the paid-up capital and the reserve fund of the Corporation. It is felt that all Reserve funds of the Corporation should be authorised under the Act to be taken into account for the purpose of determining the above statutory limitation.

4.8. In reply to a question the Government have stated that "the position stated *viz.* that the I.F.C. was obliged to restrict the grant of financial assistance to industrial concerns due to paucity of funds which existed some three years ago when due to budgetary restrictions, funds to the extent asked for by the Corporation from Government could not be made available. The position latterly has not been quite the same. In fact, there is now a paucity of good projects and I.F.C. has not suffered due to lack of funds.

4.9. The Government have also furnished the following statement in regard to the financial position of the Corporation.

"Under Section 21 of the I.F.C. Act the Corporation can borrow up to ten times the share capital and reserve funds of the Corporation. The following are the relevant figures as on 30th June, 1968, the last date of its latest financial year:—

(Rs. in crores)

(i) Share Capital	8·34
(ii) Reserve Fund	5·86
(iii) Special Reserve Fund under Sec. 36 (1) (VIII) of the Income Tax Act.	1·98
TOTAL	16·18

The limit of borrowing power will, therefore, be Rs. 161.8 crores. Against this the total borrowings of the Corporation on that date were Rs. 115.53 crores, excluding foreign currency loans of Rs. 20.91 crores which are not to be taken into account for the purpose of Section 21 of the I.F.C. Act.

The Corporation's borrowing powers would be progressively enhanced on the assumption that the annual accretion to reserves by its appropriation from the profits will be maintained at the same level as it was in the year ended 30th June, 1968.

	(Rs. in crores)
(i) Annual appropriation to the General Reserve . . .	0·73
(ii) Annual accretion to the Special reserve under 36 (i)(VIII) of the Income Tax Act.	0·36
	1·09

The borrowing limit will, therefore, be enhanced by about Rs. 11 crores *every year.*

The Corporation can also enhance its share capital by another Rs. 1.65 crores to reach the level of its authorised capital as provided in the Act. This would give an additional borrowing power of Rs. 16.6 crores.

To sum up, therefore,

	(Rs. in crores)
(a) Existing borrowing limit	161·8
*(b) Annual increase of borrowing limit . . .	10·9
TOTAL .	172·7
(c) Possible increase by increase of share capital upto Rs. 10 crores.	16·6
. . .	189·3

Thus under the present provisions of Section 21 of the Act itself, the borrowing limits of the Corporation seem to be adequate".

4.10. Regarding increase in the authorised capital of the Corporation, the Government have stated that they have no objection in principle to the authorised capital being increased. However, this will be useful to the IFC, only if it is able to raise larger capital. As it is, it has raised only Rs. 8.35 crores as against the total existing authorised capital of Rs. 10 crores.

*This will progressively increase by Rs. 10.9 crores every year.

4.11. In a subsequent reply the Corporation have stated that the Corporation is no longer suffering from shortage of rupee resources, and it is unlikely that any acceptable application will be denied facilities in the near future for want of resources.

4.12. The Committee are unable to agree with the view of the Corporation that their financial position be improved by raising authorised capital to an amount of double the existing level coupled with corresponding increase of their borrowing limit. The Committee are convinced that the existing borrowing limits are adequate and authorised capital as it is, has room for enhancement upto Rs. 10 crores. The Committee recommend that the Corporation should generate more financial resources on their own by adopting measures like:

(i) selling or re-discounting of short term obligations in open market through other financing institutions.

(ii) issue of medium term bonds.

(iii) fully utilising the drawing facilities of the RBI etc., and identical methods.

The Committee desire that the Government may also look into its financial position at regular intervals and advise them.

(c) **Rate of interest**

4.13. At present, interest is charged by the Corporation at the rate of 8½ per cent per annum with a rebate of ½ per cent per annum for punctual payment of interest and repayment of instalments of principal. The rate is fixed by the Corporation from time to time with the prior approval of the IDBI. The current rate of interest charged by the Corporation on foreign currencies is 9 per cent per annum (with a rebate of ½ per cent per annum). The rate is fixed with the approval of IDBI.

4.14. In reply to a question as to how the rate of interest charged by IFC compare with other similar financial institutions in India and abroad, the Corporation has stated as under:—

(1) *Industrial Development Bank of India*	
For direct loans	8% with a penalty charge of ½% for defaults.
(2) *Industrial Credit Investment Corporation of India Ltd.*.	
(a) Rupee loans	8% p. a.
(b) Foreign currency loans . .	8½% p. a.

(3) State Financial Corporations

The rates of interest charged by the State Financial Corporations, vary between 7½ per cent (net) and 9 per cent (net).

Broadly, therefore, the effective rate of interest charged by the all-India long term financing institutions follows a common pattern.

The foreign institutions do not generally publicise their rates of interest in the form these are published by the Corporation in its annual reports, and these rates apparently vary from country to country. It is understood, however that the rate of interest charged by International Finance Corporation, Washington, is 7½ per cent per annum and Commonwealth Development Finance Corporation is 8 per cent per annum. The current lending rate of the International Bank for Reconstruction and Development, Washington is 6½ per cent effective from August 1, 1968.

4.15. It has been stated in reply to a question that it is correct that in the legal documents executed by the assisted concerns of the Corporation in respect of loans availed of by them after April, 1957, the Corporation has reserved to itself the right to increase the rate of interest on existing loans, but this legal right has not, so far, been exercised by the Corporation. It was felt that the incidence of the higher rate of interest might upset the schemes of borrowers companies and affect their projections of profitability.

4.16. The Committee feel that there is no reason why the revised rate of interest should not be applied to the loans sanctioned and disbursed by the Corporation after April, 1957 particularly when this was clearly provided for in the loan documents. If this legal right is exercised, it would increase the working funds of the Corporation.

(d) Bad Debts

4.17. The Corporation has stated that in the last three years, there have not been any bad or doubtful loans as such. No loan has been written off in the last three years. However, there are two cases, namely those of Messrs. Solar Batteries and Flashlights Ltd. and Messrs. Link Industries Ltd. (in liquidation) where the outstanding loans aggregating Rs. 12.65 lakhs, as on the 30th June, 1968. are secured at present, against personal guarantees only. The suits filed for the recovery of the balance amount of the loans in these cases are pending in the relative High Courts. As a matter of caution, provision to the extent of the loans outstanding in these cases has been made in the Reserve for doubtful Debts. Further, in view of the increase in the number of amount of defaults during the last three years, the Corporation has, as the measure of prudence, transferred during each of the last two years a sum of Rs. 25.00 lakhs to "Reserve for Doubtful Debts". With this, the total reserve for doubtful debts as on the 30th June, 1968 stood at Rs. 64.45 lakhs. In addition, the Corporation was holding, as on the 30th June, 1968, a sum in the Suspence A/c—Rs. 106,42,542 being amount due to the Corporation on account of interest, Commission and Commitment Charges from certain assisted concerns.

4.18. The Committee feel that in view of the increase in the number and amount of defaults, the Corporation's doubtful debts would also increase. The Committee hope that the Corporation would tighten its machinery to realize the money from the assisted concerns and apply necessary safeguards for the future.

(e) **Profits**

4.19. The Corporation earned net profits of Rs. 1.31 crores in 1965, Rs. 1.33 crores in 1966, Rs. 1.64 crores in 1967 and Rs. 1.58 crores in 1968. There was steady progress in its profits till 1967. The main reason for decline in the net profits for the year ended the 30th June, 1968 has been stated to be due to the higher provision for taxation made in the accounts.

4.20. The Committee are glad to note that the Corporation has made steady progress in its profits during the last few years, and they hope the progress will be maintained in future years.

V

ORGANISATION

(a) Meetings of the Board

The Estimates Committee in its 36th Report on I.F.C., had recommended that "to enable the Corporation to know more intimately the industrialists of various regions and their schemes, programmes and requirements, the Committee would recommend that the Board meetings should be held at other places also. It may help in popularising the activities of the Corporation". The Government had accepted the recommendation.

5.2. The following table shows the number of Board meetings held and at what places during the last four years:—

Year	No. of meetings held	Place
1964-65	12	8 at New Delhi, 1 each at Bombay, Calcutta, Madras and Hyderabad
1965-66	12	9 at New Delhi, 1 each at Bombay, Calcutta and Madras
1966-67	11	6 at New Delhi, 3 at Bombay, 1 each at Calcutta and Madras
1967-68	12	8 at New Delhi, 2 at Madras and 1 each at Bombay and Calcutta

5.3. It will be seen from the above table that a large number of meetings were held in New Delhi. The other meetings were held at Bombay, Madras and Calcutta.

5.4. In reply to a question why the Board meetings were not arranged at other places, the Corporation has stated that subsequent to the recommendation of the Estimates Committee (1962-63), a meeting of the Board of Directors of the Corporation was held in

January, 1965 at Hyderabad. However, during the last three years (1965-66 to 1967-68) no meetings of the Board were held at places other than New Delhi (where the Head Office is located) and Bombay|Calcutta|Madras (where the Branch offices are located) keeping in view the considerations of economy and administrative convenience.

It is regretted that the recommendation under reference was over-looked. Fuller implementation will, however, be ensured while planning meetings of the Board in the future.

5.5 The Committee regret to note that the Corporation did not implement the reommendation of the Estimates Committee (1962-63) in arranging the meetings of the Board of Directors at places outside Delhi. The Committee trust that the Corporation would in future plan the meetings of the Board as recommended by the Estimates Committee.

(b) Establishment of Head Office and Branch Offices

5.6. Under Section 18 of the IFC Act, the Corporation is required to establish its head office in Delhi and Offices in Bombay, Calcutta, Kanpur and Madras. The Corporation has stated that this mandatory provision of establishing its Branch Offices etc., might be removed and instead the Board of Directors of the Corporation should be authorised to establish offices, agencies and branches, wherever it deems fit.

5.7. In reply to a question, the Government has stated that they agreed with the views of the Corporation and proposed to make the necessary amendment to the IFC Act at the next suitable opportunity.

5.8. The Committee while agreeing to the proposal that the Board of Directors of the Corporation should be authorised to establish offices, agencies and branches wherever the Board deems fit, suggest that the Corporation should establish more such offices and agencies in industrially less developed regions.

(c) Central Committee

5.9. The Board is assisted by a Central Committee consisting of the Chairman of the Board of Directors (who is also the Chairman of the Central Committee), two Directors elected by the nominated Directors, and two Directors elected by the Elected Directors. Subject to such a general or special directions as the Board may give from time to time, the Central Committee is competent to deal with any matter within the competence of the Board.

5.10. During the last 3 years only 6 meetings of this Committee were held as against 35 meetings of the Board. No meeting of the Central Committee was held in 1967-68.

5.11. In their 36th Report on I.F.C., the Estimates Committee (1962-63) reommended that "at present the Central Committee which meets only once a year, is not discharging any useful function........it is better to do away with it."

5.12. In reply the Government had said that "the Central Committee is a necessary adjunct to the Board of the IFC as envisaged in the IFC Act. Since the functions of the Committee and the Board overlaps, and since the Board meets every month, it has not been necessary for the Committee to meet more frequently. But even if the Committee meets infrequently its abolition would not be desirable, as it can be called at any time to discuss urgent matters. The observations of the Estimates Committee will, however, be borne in mind in planning the meetings and the work of the two bodies in the future." The IFC had also stated that in practice the arrangement whereby the Board meets at the end of each month, and the Committee at infrequent intervals to consider specific matters requiring consideration between the two Board meetings has been found to work satisfactorily, and the need for changing the arrangement has not arisen.

5.13. During evidence the Chairman, IFC informed the Committee that since the Board met so frequently, it had not been found necessary to call meetings of the Committee frequently.

5.14. The Special Secretary of the Ministry of Finance agreed during evidence that the Committee had not served a useful purpose.

5.15. The Committee find that the Central Committee is not doing any useful work and recommend that it should be dis[illegible]

(d) Branches

5.16. The Corporation has its Head Office at New Delhi, and at present 3 Branches at Calcutta, Bombay and Madras. The Branches are working under the overall control and directions of the Head Office to look after the cases of their respective zones, viz. Eastern, Western and Southern respectively. A special Division had been created in Head Office for catering to the needs of Northern Zone (Now it is called Delhi Division).

5.17. The Committee note that the Branches have not been delegated any power or authority to deal with cases. They have to seek instructions from the Head Office in all the matters. They are just like post offices collecting information and passing it on to the Head Office. The Committee also note that if the Branches are given some responsibility and authority, they would be of considerable help to the borrowers and reduce the delay in deciding the cases.

5.18. During evidence the Chairman, IFC informed the Committee that the Branches at the present moment had no powers to sanction loans nor had the power of disbursement of loans. He added that that needs centralisation, otherwise the Corporation's accountability to the Government and the IDBI would become very difficult. The Chairman stated the following functions of the Branches:—

(i) To assist the clients in the matter of preparation of applications for financial assistance and provide such assistance, clarification or guidance as may be required by the prospective borrowers.

(ii) To collect preliminary and detailed data in respect of the borrower concerns, obtaining of Bankers' reports, etc., and carry out site inspections under instructions from Head Office.

(iii) To attend to the work relating to the examination of title, carrying out searches, preparation of loan document etc., and to furnish the documents together with the reports from Branch Law Officer for the consideration and approval of Head Office.

(iv) To watch the compliance of the terms and conditions by the assisted concerns and to attend to various procedural and legal formalities that are to be complied with by the assisted concerns.

(v) To make disbursements to the assisted concerns falling under their zone upon receipt of the requisite authorization from Head Office of the Corporation.

(vi) To supervise the follow-up the loan accounts, progress of assisted concerns, verification of capital expenditure etc., physical verification of security and insurance coverage of the same, recovery of principal, interest and other charges under the overall instructions of Head Office.

He further stated that mostly the follow up work is done by them.

5.19. The Committee feel that the 3 principal branch offices should be invested with more delegated authority in respect of sanctioning of loan within certain limits and should be made responsible for realisation of outstanding amounts from defaulting concerns within their territorial jurisdiction.

(e) Finance Division

5.20. The Corporation has stated that its staff might broadly be classified in three categories—

(i) Financial,

(ii) Technical, and

(iii) Legal.

While on the legal side there is a Chief Law Officer and on the technical side, a Chief Technical Officer, on the financial side, practically all the senior and junior executives are financial officers. The Secretary, the Comptroller, the General Manager are all officers belonging to the financial side.

5.21. In reply to a question whether the Corporation have a separate Finance Division for looking into the financial position of the assisted concerns and to pursue the recovery of outstanding etc., it has been stated that there is already an Accounts Division, Ledgers Division and industry-wise divisions of the Project Department. The industry-wise divisions of the Project Department deal with the processing of applications for financial assistance and also look to the operational and follow up aspects of the assisted projects. These divisions keep a watch over the progress and operations of the assisted concerns, look into their financial position and see that the assisted concerns furnish regular progress reports and are inspected at periodical intervals. The Ledgers Division keeps that accounts of the assisted concerns, issues notices for the recovery of outstandings of principal and interest etc., and where there is a default in payment of the dues by a concern on due date. reports the matter immediately to the concerned division of the Projects Department to take necessary action for the recovery of the defaulted amount. There is, therefore, no need to have a separate finance Division.

5.22. It has been further stated that the work of this Corporation requires three types of officers:—

(a) Finance Officers who examine all cases from the financial angle. These constitute the majority of the officers staff;

(b) Technical Officers who examine each project from the technical angle; and

(c) Law Officers who look after documentation, litigation and other work involving legal knowledge and experience.

Special expertise is necessary in examining the technical and legal problems. So far as the financial problems are concerned, the general run of our officers are expected adequately to handle them, and a special Finance Division, which will constitute an additional, and perhaps, unnecessary link in the chain is not called for. The existing arrangement has been working satisfactorily, and has not led to any confusion or avoidable delays. On the other hand, the creation of a separate Finance Division, with distinct functions is more likely to result in delays and possibly confusion.

5.23. The Committee are surprised to note that the Corporation have no separate Finance Division for looking into the financial position of the assisted concerns and to pursue the recovery of outstanding loans. A number of divisions are looking after the financial position of the loanee concerns. The Committee is of the opinion that this procedure may lead to delay and lack of coordination at some stage. The Committee recommend that the Corporation should set up a separate Finance Division by rearranging the staff of the divisions dealing with financial matters, and co-ordinate all work relating to finance.

VI

MISCELLANEOUS

(a) Merger of I.F.C.I. and I.D.B.I

In reply to a question as to what were the views of the Corporation regarding merger, of I.F.C.I. and I.D.B.I., it has been stated that on the face of it, it may appear that if the IFCI is merged with the IDBI, some overlapping of functions that is inherent in the existing arrangements will be avoided, and that the IFCI, as part of the reconstituted unit will be able to have access to the enlarged resources of the IDBI and not being inhibited by its present rigid constitution, be able to function in a more flexible manner. It will also be able to engage more qualified and well paid staff. This, is, however, a somewhat superficial view of the matter.

6.2. The primary role of the IDBI is that of an apex institution to coordinate the activities of the other term-lending institutions and to supplement their resources as also to fill in the gaps for financial requirements of large sized projects where the requirements cannot be fully met by the other institutions. The IFC is. on the other hand, mainly engaged in providing term finance for medium sized and larged sized projects.

6.3. With the Head Office of IFC in New Delhi and its Branches at Bombay, Calcutta and Madras, it has been possible to achieve a measure of decentralisation which facilitates the processing of applications coming from the different regions. In case the IFC is merged with IDBI, there will perhaps be a certain concentration of authority, and a measure of decentralization which is possible under the existing arrangements, will be lost.

6.4. IFC gives only direct assistance to industrial projects. The role of the IDBI on the other hand is much larger. It gives not only direct assistance but also provides refinances to State Financial Corporations and commercial banks in respect of medium term loans as also rediscounting facilities in respect of sale of indigenous machinery on deferred payment terms. In view of the importance Government is attaching to exports, IDBI may also be called upon to promote export finance including finance or refinance for sale of Indian machinery to developing countries of Asia and Africa on deferred payment terms. It may be of advantage to continue the IFC as a separate institution for giving direct assistance to industry while the IDBI could enlarge its role in other fields such as research, refinance, rediscounting and export finance.

6.5. The IFC has obtained foreign lines of credit aggregating $33.63 million from the A.I.D. of U.S.A. D.M. 9750 million from Kreditanstalt (West Germany) and an equipment credit of F.F. 15.00 million from BFCE, Paris. The sub-loans already sanctioned by the Corporation out of these credits, upto the 30th September, 1968, amounted to $32.57 million, D.M. 67.81 million and F.C. 12.26 million respectivey. Apart from other considerations, therefore, it is felt so long as IDBI is not approved by the foreign credit institutions like the A.I.D. of U.S.A. and the KFW of West Germany for sanction of lines of credit in foreign currencies, it would be desirable to continue IFC as a separate institution.

6.6. During evidence the Secretary of the Ministry informed the Committee that the question of merger of IFC and IDBI is an open question in the sense that there was provision for the merger in the IDBI Act. The Government had visualised that at one stage it might be desirable to merger these two bodies into one.

6.7. After evidence the Ministry of Finance furnished the following note showing the pros and cons of the merger of I.F.C. and I.D.B.I.:—

Points in favour of the merger	*Points against the merger*
1	2
1. The purpose of enacting Section 38 of the Industrial Development Bank of India Act, 1964 which amended Section 36 of the Industrial Finance Corparation Act, 1948 was to make possible the merger of the two institutions so that the grant of long term industrial finance to industries should be under the control and overall supervision of the Central Bank of the country as in Canada and in some other countries. Having made the provision Government should implement it.	1. Section 38 of the Industrial Development Bank of India Act amending Section 36 of the Industrial Finance Corporation Act is merely an enabling provision making possible the merger of the two institutions, in case such merger is considered necessary in the light of further developments. This is made clear in the notes on Clauses relating to this particular provision. The provision was part of an overall scheme which envisaged that in the first instance the industrial Finance Corporation could take over any existing financial institution [*vide* section 23(1) (ii) of the Industrial Finance Corporation Act as inserted by the Industrial

1	2
	Development Bank of India Act] and could itself be subsequently taken over by the Industrial Development Bank of India.
2. The merger will make for better coordination of policies of the two institutions.	2. The coordination of policies can be achieved without actual merger, Short of merger, the activities of the Industrial Finance Corporation with the Industrial Development Bank of India have been integrated to a very great extent. The Industrial Development Bank of India heads and coordinates, to a large extent the activities of the consortium of term lending institutions consisting not only of the Industrial Finance Corporation but also the other institutions like the Life Insurance Corporation, Industrial Credit and Investment Corporation of India and the Unit Trust of India at the all India level.
3. The merger of the two institutions (i) may make possible a better deployment of available technical and financial personnel in the two institutions; this will be a distinct gain. (ii) may eliminate certain overlapping functions between the two institutions, especially in the grant of long term finance underwriting of share capital and deferred payment guarantees. (iii) may eliminate delays in referring cases to the Industrial Development Bank of India in pursuance of the directives formerly issued by the Central Government, and adopted by it. Most of the loans might have been given after discussion with the Industrial Development Bank of India in the consortium meeting, needing no such reference.	3. The existence of different term lending institutions brings to bear on projects the independent scrutiny of different organisations. Since most large projects are discussed at institutions' meetings at regular intervals this arrangement makes for a more searching enquiry into projects without sacrificing coordination.

1	2
4. Industrial Finance Corporation has a regional net-work with Head Office at Delhi and branch offices at Bombay, Madras and Calcutta. The Industrial Development Bank of India can use this net-work of Industrial Finance Corporation's branches after merger for its regional operations and enlarge further the net-work by opening offices at other important commercial centres like Ahmedabad, Bangalore, Kanpur, Gauhati, Trivandrum, etc. so that the Industrial concerns in some of the backward provinces may have the advantage of the regional net-work.	4. The Industrial Development Bank of India itself is thinking of opening branches in various Centres. Moreover in a big country like India, too much centralisation has certain disadvantages. Even with a regional net-work established by Industrial Development Bank of India after merger, the preference may be for separate Regional Development Banks with Head Offices at different places, viz. Madras, Calcutta, etc. but operating at an all India level. There has been some discussion about the need to have such types of Regional Development Banks with Head Offices at places other than Bombay. This idea has arisen because of the weakness of the capital market throughout the country, except at certain restricted metropolitan areas like Bombay and Calcutta. The Regional Development Banks at various centres could be more fitted to develop local enterpreneurship in those areas and also the capital market by creating investment interest in the corporate sector. A single all India Institution alone with Head Office at Bombay may not be able to achieve what the Regional Development Banks with Head Offices at the local places might achieve. At a time when there is demand for more all India Institutions of this kind with Head Offices at Regional centres, a merger of the two out of the three present all India term lending institutions, might be considered as a retrograde step. 5. Incidentally it may be mentioned that sum of nearly Rs. 4.6 crores may have to be paid by the Industrial Development Bank of India to the shareholders of the Industrial Finance Corporation other than the Industrial Development of India. These resources may be better utilised at the present moment for other purposes.

6.8. The Committee after examining the whole issue feel that a stage has reached when the IFCI and the IDBI should be merged. It would have a greater impact on industrial growth in the country. If the two institutions are merged, it would lead to access to enlarged resources and experience, better coordination of policies, eliminate delays and avoid overlapping of functions, which are inherent in the existing arrangements. As regards foreign loans, the Committee feel that the foreign lending institutions would not create obstacles in giving credit to a development bank. The Committee recommend that this question may be examined by the Government and an early decision be taken in the matter.

(b) Joint financing

6.9. The Corporation has stated in reply to a question that Joint financing has been beneficial both to Industry as also to the Corporation. In highly capital-intensive industries or large projects like fertilizers, petro-chemicals, ferrous and non-ferrous metals, cement, paper, etc. requiring a large quantum of financial assistance, it is generally beyond the resources of this institution to meet the entire requirements. Financing of large projects has been considerably facilitated because of joint financing. In the case of medium-size projects also joint financing has become unavoidable because the promoters are unable to make a public issue of share capital unless it is fully underwritten and for completing the underwriting arrangements, help of more than one financial institution has been found necessary. The other good feature of such financing is that the total risk involved gets distributed amongst the participating financial institutions. Joint financing is also useful in that it facilitates exchange of views, expertise and appraisals leading to a better understanding of the case and its problems. In many cases of joint financing, inspections are carried out jointly from the legal angle, where execution of a contributory mortgage has been agreed to, much of the cumbersome legal work and approval of the documents of each institution by other co-lenders has been reduced to the minimum. In many cases a common Solicitor is appointed to investigate the title and to draft the documents. However, the time-lag involved in the processing of applications in the cases of joint financing as also in the documentation work sometimes tends to be comparatively more because it involves discussions at the various joint meetings of the legal and financial officers of the participating institutions. This is, however, unavoidable.

6.10. There is no doubt that the joint financing has been rendered earlier by the establishment of the Industrial Development Bank of India (IDBI). The IDBI has been playing a very important role in the field of industrial finance after its establishment as an appex financial institutions in the year 1964. The IDBI has been taking the responsibility for—

(i) effecting the necessary coordination between the participating financial institutions, by holding inter-institutional meetings' and joint discussions for settling numerous issues of mutual interest both in the processing of applications as also in the settlement of terms and conditions, documentation etc.

(ii) accepting the responsibility for bridging the gap in the financing arrangements that may remain after taking into account the assistance to be rendered by other institutions.

6.11. Through the IDBI, it has been made possible for all the financial institutions to assemble on a common platform, discuss the problems and matters of common interest and take a coordinated and agreed course of action. But the IDBI, it would not have been possible to complete the financing arrangements for large industrial projects like fertilizers, petro-chemicals, cement, etc., requiring large financial resources.

6.12. The Committee feel that it is necessary to frame some Principles governing joint financing amongst the lending institutions. They hope that the government would examine this question in consultations with IDBI and other lending institutions.

(c) Coordination between State Finance Corporation and the I.F.C.

6.13. As regards the coordination between the State Financial Corporation and the I.F.C. the Chairman, I.F.C., informed the Committee during evidence that the coordination was available by means of Annual Conference of Managing Directors under the auspices of the Reserve Bank, and I.F.C. had the right to nominate a Director on each of the State Financial Corporations. For some time past the Corporation had been appointing their local Managers of the nearest branches on the Boards of the State Financial Corporations.

6.14. To the question whether an applicant could obtain assistance both from the State Financial Corporation and the IFC, the Chairman, IFC, replied in affirmative and added that there had been cases where it had been possible for an applicant to get assistance from both. He further stated that when the State Financial Corporation advised the concern or the I.F.C. about their inability to assist for some good reasons then the concern was free to approach the IFC and the latter did help them.

6.15. The Committee enquired whether there was no permanent machinery for consultation between IFC and SFC. The Chairman, IFC admitted that there was no such machinery. The Corporation got appraisal reports from them and from that they formed their own opinion. If the State Corporation desired extra support from them on propositions which were good, the Corporation naturally were prepared to consider them. He further stated that the area of operation and field of the two are largely different. The SFC dealt with small scale industries whereas the IFC dealt with large scale industries.

6.16. About consulting the State Governments at the time of processing the applications from those areas, the Chairman, IFC informed the Committee that it was true that the State Governments were not consulted at the time of processing the applications from their areas except in the cases of cooperatives where actually the applications were received through the Registrar and the State Governments. He further stated that there was certain criticism that a lot of time was taken in processing of applications by the various authorities and the Corporation, and if State Governments were to be consulted formally, there would be further delay. In the case of cooperatives the State Government provided some capital and exercised various kinds of supervisory powers, therefore the consultation was meaningful and that kind of routing was necessary.

6.17. **The Committee feel that there should be some regular machinery to coordinate the work of the various State Financial Corporations with the IFC and trust that the IFC would take necessary steps in this direction with the help of the Central and State Governments.**

(d) Annual Reports of IFC

6.18. **The Committee are glad that the Corporation has been bringing out good informative annual reports with detailed charts and tables, and the report is published soon after the end of each year.**

NEW DELHI;
April 25, 1969.
Vaisakha 5, 1891 (*S*).

G. S. DHILLON,
Chairman,
Committee on Public Undertakings.

APPENDIX I

(*Vide* para 2.22 of the Report)

Analysis of the Net Financial Assistance Sanctioned for various types of Industries as per the International Standard Industrial Classification of all Economic activities as on the 30th June, 1968

(*After adjustment of Cancellations/Withdrawals*)

(Lakhs of Rupees)

Type of Industry	No. of units	Loans	AMOUNT Under writings	Guarantees for deferred payments on machinery & for foreign loans	Total	% of the whole
1	2	3	4	5	6	7
Food Manufacturing Industries except Beverage Industries Sugar.	82	6001·09	49·00		6050·09	19.8
Manufacture of Textiles—Spinning, Weaving and Finishing of Textiles . . .	70 £	2660·50	172·50	272·69	3105·69	10·2
Manufacture of Artificial Fibres . .	7	420·93	25·00	..	445·93	1.5
Manufacture of Wood & Cork except manufacture of Furniture .	5	177·10	7·00		184·10	0·6
Manufacture of Paper & Paper products . .	22	1323·18	*159·07	548·16	2030·41	6·7
Manufacture of Rubber Products . .	7	536·34	22·00	246·41	804·75	2·6
Manufacture of Fertilizers . . .	5	756·00	@154·47	1278·86	2189.85	7·2
Manufacture of Basic Industrial Chemicals .	16	1394·23	43.75	185·87	1623·85	5·3
Manufacture of Vegitable and Animal oil and Fats . . .	3	45·00	* ..	..	45·00	0·1
Manufacture of Miscellaneous Chemical Products	21	1286·05	£179·50	265·03	1730·58	5·7
Manufacture of Glass & Glass Products . .	9	269·99	10·00	..	279·99	0·9

1	2	3	4	5	6	7
Manufacture of Pottery China & Earthenware .	11	373·49	118·00	..	391·49	1·2
Manufacture of Cement .	27	1640.50	205·89	18·66	1885·05	6·1
Basic Metal Industries— Iron & Steel . .	6	526·09	85·00	..	611·09	2·0
Non-Ferrours Metals .	6	646·57	170·00	1945·65	2762·22	9·1
Manufacture of Metal Products except Machinery and Transport Equipment . .	49	1495·83	415·50	150·71	2062·04	6·8
Manufacture of Machinery except Electrical Machinery . .	18	948·92	55·20	104·82	1108·14	3·6
Manufacture of Rail-Road Equipment. .	3	72·25	1·50		73·75	0·2
Manufacture of Motor Vehicles & Ancillaries	15	716·73	165·00	26·95	908·68	3·0
Manufacture of Electrical Machinery, Apparatus, Appliances & Supplies . . .	30	799·42	131.25		930·67	3.5
Manufacture of Bicycles	3	128·30			128·30	0·4
Miscellaneous Manufacturing Industries .	10	122.50	2·00	..	124·50	0·4
Electric Light & Power .	5	43·00	50·00		93·00	0·3
Electricity, Gas & Steam	3	135·31	4·00	..	139·31	0·4
Mining and Quarrying (i) Coal . .	3	90·00			90·00	0.2
(ii) Stone Quarrying minerals .	1	..	10·00		10·00	
(iii) Petroleum & Natural Gas .	1	..	350·00	..	350·00	1·1
Hotel Industry . .	5	249·62	4·00	93·00	346·62	1·1
TOTAL .	443	22878·94	2489·59	5136.81	30505·34	100·00

*Includes Rs. 1.57 lakhs firm subscription to rights issue.

@Includes Rs. 9·43 lakhs firm subscription to rights issue.

£ Includes Rs. 5·00 lakhs firm subscription to rights issue.

Includes direct subscription of Rs. 182·00 lakhs.

APPENDIX II

(*Vide* para 2·26 of the Report)

State/Territory-wise Distribution of Net Financial Assistance sanctioned as on the 70th June 1968
(After adjustment of Cancellations/withdrawals)

(Lakhs of Rupees)

State/Territory	No. of Units	Amount: Loans	Amount: Under-writings	Amount: Guarantees for deferred payments on machinery & for foreign loans	Total	% of the whole
Andhra Pradesh	28	@1141.81	164.82	925·82	2232·45	7·3
Assam	6	318·29	*350·00	..	668·29	2·2
Bihar	24	1338·16	108·00	350·32	1796·48	5·9
Gujarat	36	1957·91	£150·72	81·95	2190·18	7·2
Haryana	17	723·41	48·50	19·89	791·80	2·6
Kerala	14	727·40	19.50	172·47	1119·37	3·7
Madhya Pradesh	13	591·74	202·00	391·82	833·56	2·7
Madras	51	2760·93	405.50	1241·89	4408·32	14·5
Maharashtra	92	5057·57	584·20	375·93	5917·70	19·4
Mysore	32	1458·29	73·00	221·52	1752·81	5·8
Orissa	13	657·81	85·00	..	742.81	2·4
Punjab	11	629·12	..	9·96	639·08	2·0
Rajasthan	13	856·27	15·50	757·35	1629·12	5·3
Uttar Pradesh	32	1699·16	159.50	324.21	2182·87	7·2
West Bengal	55	2540.45	215·50	510·23	3266.88	10·7
Delhi	4	157·62	8.25	97·30	263·17	0·9
Andaman & Nicobar Islands	1	11·00	..	..	11·00	..
Pondicherry	1	52·00	0	8·15	60·15	0·2
TOTAL	443	22878·94	2489.59	5136.81	30505·34	100

@Includes Rs. 14·43 lakhs firm subscription to 2 rights issue.

* Includes direct subscription of Rs. 182·00 lakhs.

£ Includes Rs. 1.57 lakhs firm subscription to a rights issue.

APPENDIX III

(*Vide* para 2.45 and 2.46 of the Report)

Further reply received from I.F.C. re: *paras* 2.45 & 2.46 *at the time of factual verification.*

Normally, the period of repayment of sub-loans in foreign currencies, as stipulated by the Corporation, is 10/12 years in case of sub-loans of a relatively smaller size and 12/15 years in case of larger sub-loans. There are also a few cases where the period of repayment may be shorter. The currency of sub-loans is fixed by the Corporation to fit-in with the obligations of the Corporation to the foreign lender, on one side, and the requirements of the industrial borrower on the other. According to Section 27(4) of the IFC Act, any loss or profit accruing in connection with any borrowing of foreign currency for the purposes of granting loans or advances to any industrial concern or concerns or its repayment on account of any fluctuations in the rates of exchange shall be reimbursed by, or paid to, the industrial concern or concerns, as the case may be. In other words, the risk on account of fluctuations in foreign exchange has to be borne by the sub-borrowers and not by the Corporation. The Corporation does not, therefore, accept premature repayment of sub-loans i.e. before it is itself in a position to remit the corresponding amounts by way of its own repayments under the foreign currency loans raised from the different foreign lending agencies. It may be noted, in this connection, that the period of repayment of the foreign currency loans with the Corporation, which are negotiated under the relative inter-Governmental agreements between the Government of India and Governments of the lending countries, varies from 17 to 25 years, whereas the period of repayment of sub-loans advanced by the Corporation is shorter as mentioned above. Exact synchronization of the repayment schedules in respect of various sub-loans granted by the Corporation with that of the amortization schedules, in respect of the foreign currency loans availed of by the Corporation itself, is not always feasible, though such synchronization is aimed at wherever permissible in the loan agreements, as for example, in respect of US AID Loan Nos. 118 and 36 (for $ 10 million and 20 million respectively) and the first two loans of DM 15 million and 25 million from the Kreditanstalt. In the case, however, of the last 4 loans of DM 15 million, 20 million, 10 million and 7.50 million, the loan agreements in regard to which were executed between July, 1965 and March, 1968 having regard to the foreign exchange position of the country, the period of repayment as approved by Government is as much as 25 years, and no provision exists for matching the repayments under the sub-loans with the repayments to be made by the Corporation, as provided under the amortization schedule, relating to the said loans.

In the circumstances, until Section 27(4) of the IFC Act is amended, and suitable arrangements can be made to secure that the Corporation is not exposed to the risk of fluctuations in foreign exchange arising out of sub-loans in foreign currencies, the Corporation naturally cannot accept the premature repayment of sub-loans from the sub-borrowers. However, the whole question of how the problem of covering the exchange risk in respect of the foreign lines of credit obtained by the Corporation should be met, is, currently under examination of the Corporation in consultation with the Central Government.

APPENDIX IV

Summary of Conclusions/Recommendations of the Committee on Public Undertakings contained in the Report

S. No.	Reference to Para No. in the Report	Summary of Conclusions/Recommendations
1	2	3
1	2.6	The Committee note that the criteria of financial assistance sanctioned by the Corporation has been gradually changing in accordance with the Plan objectives for development of industry. The Committee would suggest that sufficient publicity should be given to the criteria adopted from time to time for granting loans so that the intending applicants are fully aware of what is required of them.
2	2.14	The Committee find that besides the fresh applications received by the Corporation, a large number of applications were pending disposal with the Corporation during these years. It would thus appear that there was no shortage of applications. Regarding the limited financial resources of the Corporation, the Committee are convinced that except on few occasions, the Corporation did not suffer from shortage of funds. The Committee are unhappy to note that despite the fact that no paucity of funds existed, the Corporation could not consider adequate number of applications. The Committee trust that the Corporation would process more applications and thereby sanction more assistance in future years by quickening the pace of evaluation of applications, and by avoiding adherence to outmoded principles of financial assistance. The Committee wish to emphasise the well known saying that assistance delayed is assistance denied.
3	2.16	The Committee note that the incidence of rejection of applications have gone down during these years. among the applications rejected, there were some applications for assistance from less developed States. The Corporation should have tried encourage the applications coming from the less developed areas.

1	2	3
		The Committee are not satisfied that the Corporation have done all it could to encourage the establishment of new industries in those regions by giving them more consideration or looking at them more sympathetically.
4	2.21	The Committee note that there have been a large proportion of withdrawal of applications. The borrower is required to work within his own time schedule for raising resources to finance a project. It would therefore be natural for him to look for an alternative source if he failed to raise funds from IFC in time. The Committee feel that some cases of withdrawal could have been due to delay in the examination of applications. The Committee would therefore recommend that the Corporation should take urgent steps to decide applications more expeditiously to obviate withdrawals due to delay in processing application.
5	2.25	The Committee note that the industry-wise pattern of financial assistance sanctioned by the Corporation has been gradually changing in accordance with the national importance of the industry, plan priorities, and priorities fixed by the Government from time to time. As a consequence, Sugar and Textile had been accounting for a substantial share of assistance from IFC in the past. Fertilizers, Chemicals, Engineering industry, Iron and Steel and Cement are now receiving the greater attention. The Committee hope that the Corporation would continue to follow the plan priorities initiated from time to time in future.
6	2.31	The Committee are not satisfied about the quantum of assistance given to the less developed States. Instructions issued by Government to the Corporation in 1948 that they should assist the industrial development of backward areas in order that they may attain a more balanced development, have remained a dead letter. The Committee feel that the Government directive in this regard was clear. In the event of doubt, the Corporation should have sought the clarification of Government as to what category of States or regions were to be treated as backward and the nature of preference to be accorded to them. Moreover, the Corporation should have taken concrete steps on its own also to offer preferential treatment to backward areas. This was not done. The Committee regret that the Government also did not pursue the

1	2	3
		implementation of their directive. One reason for this neglect of backward areas is that most of the Directors are drawn from metropolitan towns and industrially advanced States. The Committee recommend that concrete steps should be taken by the IFC and the Government to attract applications from entrepreneurs for establishing industries in less developed areas. In this conection IFC may consider the setting up of educational and consultancy agencies in the less developed regions with a view to offer guidance to entrepreneurs. The Committee hope that the Government will examine the matter fully.
7	2.37	The Committee feel that there should be a better balance between big, medium and small industrial houses in the matter of providing finance from Government financial institutions. The Committee are surprised to note that assistance of Rs. 11.85 crores was given to one industrial group. The Committee feel that the IFC should have asked the bigger groups of industries to provide more funds from their own resources than the smaller goups where the Corporation could be more liberal bv giving them greater quantum of assistance. The Committee would also urge the Government to keep a watch on the distribution of loans by IFC so that it is done in a more widespread manner. Regulation should be amended to ensure that monopoly groups are not given financial assistance by the Corporation except with the prior approval of I.D.B.I., so as to discourage the tendency of concentration of economic power in a few hands.
8	2.44	The Committee regret the failure of the Corporation in utilisation of foreign credit which the country requires so much. If proper assessments of the requirements had been made, the de-obligation or reduction of these loans could have been avoided and the concerns which were obliged to withdraw their applications or to make alternative arrangements could have also received the necessary foreign exchange from the Corporation. The Committee trust that the Corporation will exercise the utmost care in utilisation of foreign credits in future and take steps to reduce the chances of withdrawal of applications from concerns. The Committee recommend that the Government should also consider making available to IFC foreign credit coming from East European countries.

1	2	3
9	2.47	The Committee think that when once the loanee company has paid back the foreign currency loan and has discharged its interest liability, it should not be made liable to pay any difference of exchange owing to fluctuation or devaluation during the period of the currency of a loan as a whole. The Committee recommend that this question should be examined by the government to set right this anomaly at an early date.
10	2.48	It is conceivable that the loanee company may find itself in a position to pay back to the IFC in rupees the full amount of the foreign exchange loan taken, well before the expiry of the repayment period. In such cases, the IFC should accept such earlier repayments just as is being done in the case of rupee loans. If necessary, IFC could obtain a bank or other guarantee from the loanee company to cover the liability of any loss to the IFC that may occur due to any fluctuation or devaluation in the foreign exchange rate of the rupee, relevant to the foreign exchange loans, within the original repayment period. By doing this, the IFC would be in a position to make use of the rupee amount that it would receive from the loanee company earlier in settlement of the foreign exchange loans.
11	2.49	In granting loans, the IFC should be concerned essentially with two matters: in the first place, to see that the loans are correctly used and for the purposes for which these have been given; in the second place, to see that nothing is done which might jeopardise the safety of the loans. The Committee need hardly stress that once the loan has been repaid, there should be no reason for any interference by IFC in the working of the loanee company.
12	2.54	The Committee are not satisfied with the Corporation's arguments for giving less assistance to industrial cooperatives during the last 3 years. The Committee are of the opinion that the quantum of assistance given to industrial cooperatives before 1965 should be maintained.
13	2.57	The Committee are surprised to learn that the problem of realising money from the cooperatives was not brought to the notice of the Government by the Corporation. The Committee feel that the State Government's approach should be helpful in facilitating recovery of the funds from the cooperatives. The committee hope that Government will look into this

1	2	3
		matter and strengthen the hands of IFC so that the Corporation could get back the funds from the co-operatives. The Committee also recommend that the State Government's guarantee should not be confined to the residuary guarantee but it should be an unconditional guarantee, and if cooperatives default in repaying instalments for more than a year, the State Government's guarantee should be invoked and money realised from such State Government.
14	2.60	The Committee feel that evolving a common loan application form for seeking various details and also to standardise the legal procedure required to be followed in this behalf is a desirable step. Generally financial requirements of an industrial unit are met by a number of lending institutions. If all such institutions process the loan applications and draft legal documents individually the result will be delay in assistance and inconvenience to the borrowing concern. The Committee are happy to learn that the IDBI has already taken up this matter and hope that a common loan application form and standard legal form will be evolved in the near future. The Committee also suggested that some arrangement may be arrived at under which the results of investigations by one Government Institution of a concern are made available to other Government financial institutions, and the duplication of the said work is avoided as far as possible.
15	2.65	The Committee are unhappy to note that the Corporation had taken up shares/debentures of a very high amount in pursuance of the underwriting obligation. This has resulted in blocking of capital which could have been utilised in a better way. The Committee desire that the Corporation should gear up its Investment Department so that it might study the investment market carefully in future and ensure that underwriting is done in respect of sound concerns, so that the incidence of devaluation is not high.
16	2.68	The Committee found that there is truth in the general complaint that the time taken in processing the applications and disbursement of loan by IFC is unduly long. Much of the delay is contributed by the rigid and unimaginative observance of the rules in processing loan application by the Corporation. Other lending institutions process such application in a more expeditious manner. taking a broad view in assessing the fulfilment of preliminary conditions. The Committee recommend that the Corporation should adopt a practical

1	2	3
		approach to this problem and follow the pattern set by similar lending institutions in India and abroad for processing the applications expeditiously with a view to curtail the time factor.
17	2.75	The Committee feel that large amounts over due from concerns in which the Directors of the Corporation are interested in one form or the other does not show a healthy state of affairs in a financial corporation. Technically the Directors may be members or shareholders of the concerns but actually the concerns may belong to an industrial group represented by the Directors. The Committee recommend that the Directors of IFC having interest in concerns from which large amounts are over-due should cease to be Directors of the Corporation. Efforts should be made to recover such over-due instalments expeditiously.
18	2.76	The Committee find that in the Banking Laws (Amendment) Act, 1968, it has been provided that no banking company shall— "enter into any commitment for granting any loan or advance to or on behalf of— (i) any of its directors, (ii) any firm in which any of its directors is interested as partner, manager, employee or guarantor, or (iii) any company (not being a subsidiary of the banking company or a company registered under section 25 of the Companies Act, 1956, or a Government company) of which any of the Directors of the banking company is a director, managing agent, manager, employee or guarantor or in which he holds substantial interest, or (iv) any individual in respect of whom any of its directors is a partner or guarantor." The Committee suggest that the feasibility of extending the above wholesome principles to Government financial companies such as the Industrial Finance Corporation may be considered, so as to debar grant of loan by a Government financial institution to a company in which its Director (other than a Government official representing a Government Department/Government organisation) is interested as a Director, partner, guarantor etc.

1	2	3
		Pending examination of the above policy, Government may consider issuing a directive to the I.F.C. that if a company in which a Director of I.F.C. is interested as a director, partner, guarantor, etc., the director should not only withdraw from the Board meeting of the Corporation when the loan application comes up for consideration but severes his connections with the Corporation before the application for financial assistance is taken up for consideration by I.F.C.
19	3.12	The Committee regret to note that a large number of defaulting concerns appear on the list of Corporation and their number is on the increase during the last four years. In some of the cases, the Corporation took a long time to initiate action for the recovery of its outstanding dues, with the consequence that 10 concerns have eiher closed down or went into liquidation. The Committee are of the view that the IFS should not hesitate to initiate prompt and timely action to realise the outstanding dues from concerns showing signs of running into defaults. The Committee recommend that before advancing loan, IFC should carefully examine the stability of the borrowing concerns—review their activity with care—and evolve a method as to how best to effect the quick realisation of their money from defaulting concerns in consultation with the Government, if necessary.
20	4.12	The Committee are unable to agree with the view of the Corporation that their financial position be improved by raising authorised capital to an amount of double the existing level coupled with corresponding increase of their borrowing limit. The Committee are convinced that the existing borrowing limits are adequate and authorised capital as it is, has room for enhancement upto Rs. 10 crores. The Committee recommend that the Corporation should generate more financial resources on their own by adopting measures like: (i) selling or re-discounting of short term obligations in open market through other financing institutions. (ii) Issue of medium term bonds. (iii) fully utilising the drawing facilities of the R.B.I. etc., and identical methods. The Committee desire that the Government may also look into its financial position at regular intervals and advise them.

1	2	3
21	4.16	The Committee feel that there is no reason why the revised rate of interest should not be applied to the loans sanctioned and disbursed by the Corporation after April, 1957 particularly when this was clearly provided for in the loan documents. If this legal right is exercised, it would increase the working funds of the Corporation.
22	4.18	The Committee feel that in view of the increase in the number and amount of defaults, the Corporation's doubtful debts would also increase. The Committee hope that the Corporation would tighten its machinery to realize the money from the assisted concerns and apply necessary safeguards for the future.
23	4.20	The Committee are glad to note that the Corporation has made steady progress in its profits during the last few years, and they hope the progress will be maintained in future years.
24	5.5	The Committee regret to note that the Corporation did not implement the recommendation of the Estimates Committee (1962-63) in arranging the meetings of the Board of Directors at places outside Delhi. The Committee trust that the Corporation would in future plan the meetings of the Board as recommended by the Estimates Committee.
25	5.8	The Committee while agreeing to the proposal that the Board of Directors of the Corporation should be authorised to establish offices, agencies and branches wherever the Board deems fit, suggest that the Corporation should establish more such offices and agencies in industrially less developed regions.
26	5.15	The Committee find that the Central Committee is not doing any useful work and recommend that it should be dissolved.
27	5.19	The Committee feel that the three principal branch offices should be invested with more delegated authority in respect of sanctioning of loan within certain limits and should be made responsible for realisation of outstanding amounts from defaulting concerns within their territorial jurisdiction.
28	5.23	The Committee are surprised to note that the Corporation have no separate Finance Division for looking into the financial position of the assisted concerns and to pursue the recovery of outstanding loans.A number

1	2	3
		of divisions are looking after the financial position of the loanee concerns. The Committee are of the opinion that this procedure may lead to delay and lack of coordination at some stage. The Committee recommend that the Corporation should set up a separate Finance Division by rearranging the staff of the divisions dealing with financial matters, and coordinate all work relating to finance.
29	6.8	The Committee after examining the whole issue feel that a stage has reached when the IFCI and the IDBI should be merged. It would have a greater impact on industrial growth in the country. If the two institutions are merged, it would lead to access to enlarged resources and experience, better coordination of policies, eliminate delays and avoid overlapping of functions, which are inherent in the existing arrangements. As regards foreign loans, the Committee feel that the foreign lending institutions would not create obstacles in giving credit to a development bank. The Committee recommend that this question may be examined by the Government and an early decision be taken in the matter.
30	6.12	The Committee feel that it is necessary to frame some principles governing joint financing amongst the lending institutions. They hope that the Government would examine this question in consultation with the IDBI and other lending institutions.
31	6.17	The Committee feel that there should be some regular machinery to coordinate the work of the various State Financial Corporations with the IFC and trust that the IFC would take necessary steps in this direction with the help of the Central State Governments.
32	6.18	The Committee are glad that the Corporation has been bringing out good informative annual reports with detailed charts and tables, and the report is published soon after the end of each year.

GMGIPND—723 (aii) LS—29-5-69—1300.

Sl. No.	Name of Agent	Agency No.
	DELHI	
24.	Jain Book Agency, Connaught Place, New Delhi.	11
25.	Sat Narain & Sons, 3141, Mohd. Ali Bazar, Mori Gate, Delhi.	3
26.	Atma Ram & Sons, Kashmere Gate, Delhi-6.	9
27.	J. M. Jaina & Brothers, Mori Gate, Delhi.	11
28.	The Central News Agency, 23/90, Connaught Place, New Delhi.	15
29.	The English Book Store, 7-L, Connaught Circus, New Delhi.	20
30.	Lakshmi Book Store, 42, Municipal Market, Janpath, New Delhi.	23
31.	Bahree Brothers, 188, Lajpatrai Market, Delhi-6.	27
32.	Jayana Book Depot, Chapparwala Kuan, Karol Bagh, New Delhi.	66
33.	Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi-1.	68
34.	People's Publishing House, Rani Jhansi Road, New Delhi.	76
35.	The United Book Agency, 48, Amrit Kaur Market, Pahar Ganj, New Delhi.	88
36.	Hind Book House, 82, Janpath, New Delhi.	95
37.	Bookwell, 4, Sant Narankari Colony, Kingsway Camp, Delhi-9.	96
	MANIPUR	
38.	Shri N. Chaoba Singh, News Agent, Ramlal Paul High School Annexe, Imphal.	77
	AGENTS IN FOREIGN COUNTRIES	
39.	The Secretary, Establishment Department, The High Commission of India, 'India House', Aldwych, LONDON W.C.—2.	59

Published under Rule 382 of the Rules of Procedure and Conduct of Business in Lok Sabha (Fifth Edition) and printed by the General Manager, Government of India Press, Minto Road, New Delhi