

**COMMITTEE ON PUBLIC  
UNDERTAKINGS**

**(1972-73)**

**(FIFTH LOK SABHA)**

**TWENTY-THIRD REPORT**

**Action taken by Government on the recommend-  
ations contained in the Sixty-third Report of the  
Committee on Public Undertakings (Fourth  
Lok Sabha)**

**THE NATIONAL INDUSTRIAL DEVELOPMENT  
CORPORATION LIMITED**

**(MINISTRY OF INDUSTRIAL DEVELOPMENT)**



सत्यमेव जयते

**LOK SABHA SECRETARIAT  
NEW DELHI**

*August, 1972/Bhadra, 1894 (S)*

*Price : Rs. 1.70*

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COMMITTEE ON PUBLIC UNDERTAKINGS  
(1972-73)

CHAIRMAN

Shrimati Subhadra Joshi

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2. Shri Dinen Bhattacharya
3. Shri G. Bhuvarahan
4. Dr. Kailas
5. Shri Murasoli Maran
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SECRETARIAT

Shri M. A. Soundararajan—*Deputy Secretary.*

Shri M. N. Kaul—*Under Secretary.*

**STUDY GROUP VI ON ACTION TAKEN REPORTS AND**

**MISCELLANEOUS MATTERS**

Shrimati Subhadra Joshi—*Chairman*

2. Shri Amrit Nahata—*Alternate Convenor*

3. Dr. Kailas

4. Shri S. N. Misra

5. Shri P. Parthasarathy

6. Shri G. Bhuvarahan

7. Shri D. P. Singh

8. Shri Lal K. Advani

9. Shri U. N. Mahida

10. Shri Ranen Sen.

} —*Members*

**SECRETARIAT**

Shri M. A. Soundararajan—*Deputy Secretary.*

Shri M. N. Kaul—*Under Secretary.*

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## INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf present the Twenty-third Report on Action Taken by Government on the recommendations contained in the 63rd Report of the Committee on Public Undertakings (Fourth Lok Sabha) on National Industrial Development Corporation Limited.

2. The Sixty-third Report of the Committee on Public Undertakings was presented to the Lok Sabha on the 13th April, 1970. Government furnished their replies indicating the action taken on the recommendations contained in the Report on different dates during the period from 8th December, 1970 to 16th June, 1972.

The 22nd Report of the Committee on Public Undertakings (1972-73) Fifth Lok Sabha on para 1.17 of the 63rd Report of the Committee on Public Undertakings was presented to the Lok Sabha on the 31st May, 1972.

The replies of Government to the recommendations contained in the Sixty-third Report were considered and approved by the Committee on the 21st June, 1972. The Committee on Public Undertakings considered and adopted the Report on Action Taken by Government at their sitting held on the 23rd August, 1972.

3. The Report has been divided into the following five chapters:—

- (i) Report
- (ii) Recommendations that have been accepted by Government.
- (iii) Recommendations which the Government do not desire to pursue in view of the Government's reply;
- (iv) Recommendations in respect of which replies of Govt. have not been accepted by the Committee;
- (v) Recommendations in respect of which final replies of Government are still awaited.

4. An analysis of the action taken by Government on the recommendations contained in the Sixty-third Report of the Committee is

given in Appendix VII. It would be observed therefrom that out of the 36 recommendations made in the Report, 31 per cent have been accepted by Government. The Committee do not desire to pursue 19 per cent of the recommendations in view of the Government's reply. Replies of Government in respect of 50 per cent of the recommendations have not been accepted by the Committee.

SUBHADRA JOSHI,

*Chairman,*

*Committee on Public Undertakings.*

NEW DELHI;

August 29, 1972.

Bhadra 7, 1894 (Saka).

## CHAPTER I

### REPORT

*Private Sector Projects—Para \*1.17—Conclusion—Existence of N.I.D.C.—paras 8.6 and 8.7 of Sixty-third Report*

(4th Lok Sabha)

#### **Recommendations (Serial Nos. \*2, 35 and 36)**

The Committee were convinced that N.I.D.C., did not play any appreciable role either in the conception or the execution of the five projects in the Public Sector and two projects in the private sector except to some extent in the case of Indian Drugs and Pharmaceuticals Limited. The Committee also felt that adequate number of consultancy agencies have been brought into existence both in the Public and Private Sector representing different fields of technological activities and N.I.D.C.'s role, even as consultants, was hardly appreciable to justify its independent existence.

2. In their reply, the Government have stated that the activities of the Corporation in respect of the industrial development were essentially to be in respect of identification of gaps in industry, advice on the most suitable manner in which such gaps could be covered—which work necessarily includes Techno-economic investigations, preparation of Project Reports, Designs, etc., and that the actual implementation of projects was to be undertaken by Agencies, including the N.I.D.C., on specific decisions in respect of each Project by Government. These tasks would include:

- (a) Grant of loans for the rehabilitation of Jute and Cotton textile industries, and.
- (b) Economic and technical investigations of industrial projects with a view to their implementation either by the N.I.D.C., or by the Government or by any other agency approved by the Government.

As soon a project had been investigated by the N.I.D.C., and had reached the stage of investment decision, Government itself would

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\*NOTE: Twenty-Second Report of the Committee on Public Undertakings (1972-73) Fifth Lok Sabha on paragraph 1.17 of the Sixty-Third Report of the Committee on Public undertakings (1969-70)—Fourth Lok Sabha, on National Industrial Development Corporation Limited containing the observation 'The Committee are of the opinion that they have been misled by the statement of the Managing Director (National Industrial Development Corporation Limited)' was presented, to Lok Sabha on the 31st May, 1972.



decide the manner in which the project was to be financed, controlled and managed.

In each of the 10 cases relating to major industrial gaps handled by the Corporation in the earlier years of its existence, the N.I.D.C., was involved in the preliminary investigations relating to the identification of gaps and the techno-economic investigations relating to each of these projects. The results of these studies were examined by Government, who then took decisions on the subsequent course of action for the implementation of each of these major projects. Government decided that 8 of the Projects which were to be assigned to the Public Sector should be implemented by independent bodies incorporated as public sector units for their implementation, execution and management. Two other were transferred to the private sector.

3. The extent of N.I.D.C's contribution in the earlier stages in those projects which were taken up in the very initial stages of the Corporation's existence were naturally commensurate with the gradual build-up of technical capabilities and capacities within the Corporation. As the technical capabilities and the capacities grew, the Corporation undertook more and more of the techno-economic aspects of the work involved. As a result thereof, the later projects, viz., I.D.P.L., and Hindustan Organic Chemicals assigned portions of their detailed engineering work also to the N.I.D.C.

4. Government justified their stand by saying that the building up of Consultancy capabilities by the Corporation was only in furtherance of the objectives assigned to the Corporation. The expression 'Consultancy Services' is generic in its import and covers the specific functions assigned to the Corporation.

Normally, actual execution of projects and their financing is not a part of 'Consultancy Services' and to the extent that these functions were reduced to such projects as may be specifically ordered on the Corporation for execution, the scope of its technical functions did not alter and still remain those covered by the generic expression 'Consultancy Services'.

The Corporation has, over the years, built up its technical capabilities and capacities to render the services of identification of gaps and the technical steps involved in implementation of schemes for filling such gaps, which activities have, for ease of reference, been identified as "Consultancy Services" following the established usage of this expression to cover such services.

5. Concomittant with the development of Consultant Engineering Services in the Corporation for rendering the services as explained above, the Corporation has, over the years, developed the necessary expertise for rendering such services to specialised industries including (i) Engineering Industries, (ii) Aluminium Production, (iii) Iron Ore dressing and transportation, (iv) Paper and Pulp etc. The expertise developed covers the entire ranges of Consultancy Services from the activity of demand or gap identification, preparation of Techno-economic Analysis and studies, and Detailed Project Reports to the Detailed Designing and Engineering of such Projects and assistance in Construction Management during the stage of construction and commissioning.

6. Major investments are envisaged in these particular areas of specialisation and the services of the Corporation are being utilised in the furtherance of Government Programme in those specialised fields.

7. The replies of the Government to the Committee's recommendations at serial Nos. 2, 35 and 36 only vindicate the correctness of the conclusions drawn by the Committee on Public Undertakings, that the N.I.D.C., was not properly conceived and that it gradually degenerated into a mere consultancy service. However, having visited the Office of the N.I.D.C., on the 7th March, 1972 and discussed the role and scope of the N.I.D.C., with its Chief Consultant and having received further clarification from the Government about the precise functions of the N.I.D.C., the Committee feel that all these years, no clear direction was given to the N.I.D.C., which, therefore, has been drifting. Now, it seems that the N.I.D.C., has become into a certain specialised kind of consultancy. In view of this, the Committee feel that the Government should, by a resolution, define and identify the specific role and functions that the N.I.D.C., should perform.

*Loans to Cotton, Jute and Machine and Tools Industries—Para 2.14 of Sixty-Third Report (4th Lok Sabha)*

*Loans to Big Business Houses—para 2.16 of Sixty-third Report (4th Lok Sabha)*

#### **Recommendation (Serial No. 4)**

8. The Committee were of the opinion that in regard to equitable distribution of loans, no special concession or incentives were offered to encourage assistance to industries in the backward states.

9. In reply, the Government stated that the loaning activities of the Corporation were limited to the grant of financial assistance to existing units of the cotton textile and jute for modernisation and renovation and for the expansion of the machine tools industry. The need for special concessions or incentives being offered to encourage assistance to industries in backward areas did not, therefore, arise and accordingly no such instructions were issued by the Government to the Corporation.

#### **Recommendation (Serial No. 5)**

10. On a perusal of the list of loanees, the Committee are of the opinion that loans were granted to parties who could have, perhaps, raised the necessary resources of their own without the special aid of N.I.D.C., and the funds given to them could have been preferably made available to other parties whose position to raise such loans by other means was not equally strong.

11. The Government replied that the applications for loans had been considered with reference to the needs for rehabilitation of the units and the financial positions of the units as such and not in relation to those who may have formal or informal controlling interest of the unit. Applicants' management financial position, production efficiency, condition of plant and machinery and capacity for repayment of loan have been the main criteria on which the loans were considered by the Corporation.

12. The Committee have not been able to get any explanation as to why equitable distribution of loans and incentives have not been given to industries in backward states and instead the assistance has been given to the 18 industrial houses which by themselves are affluent. No efforts have been made to give any assistance to the really needy and smaller undertakings, in preference to big business houses.

*Rate of interest to be charged by N.I.D.C. from Jute and Cotton Textile Industries and Machine Tools Industries—Para 2.24 of Sixty-third Report (4th Lok Sabha)*

#### **Recommendation (Serial No. 6)**

13. The Committee were surprised that the rate of interest charged by N.I.D.C., was kept much lower than the rate charged by the Industrial Finance Corporation. The Committee deprecated

that neither any time limit for the withdrawal of loan instalments nor any provision for increase in the rate of interest to be charged in the event of Government charging higher rates from the Corporation was made in the agreement with the loanee Companies.

14. The Government in their reply stated that the rate of interest charged by the N.I.D.C. has been lower than the rate charged by the Industrial Finance Corporation of India (I.F.C.) as the loans given through the N.I.D.C. were intended for rehabilitation and modernisation purposes, etc., of the industries concerned. No time limit in regard to drawal of loans by the borrower companies had been specified in the mortgage deeds as the loans had been disbursed in stages as and when the machinery included in the scheme was purchased by the Companies or they were required to make payment to the machinery suppliers in terms of the contracts entered into by them. Moreover no definite time limit could be laid down for the implementation of a scheme to be financed from the loan, as that mainly depended upon the delivery position of the machinery.

15. The Committee are not convinced with Government's reply that the lower interest charged by the N.I.D.C., was intended for rehabilitation and modernisation purposes etc., of the industries concerned, when the rate of interest charged by National Small Industries Corporation Limited (N.S.I.C.), is much higher. The Committee therefore reiterate their earlier recommendation that the time limit for the withdrawal of loan and charging of higher rates of interest should be specified in agreement with the loanee Companies.

*M/s Minerva Mills Ltd.,—Para 3.9 of Sixty-Third Report  
(4th Lok Sabha)*

*New Victoria Mills— Para 3.11 of Sixty-Third Report  
(4th Lok Sabha)*

### **Recommendation (Serial No. 7)**

16. The Committee were unhappy to note that even the steps required by the Corporation to be taken in terms of the mortgage deed were not initiated at all barring issue of routine reminders and discussion with the representatives of the loanee company. The Committee were of the opinion that the Corporation had failed in the discharge of its responsibility owing to the defective provisions in the agreement and had failed even to take legal steps.

### Recommendation (Serial No. 8)

17. The Committee feel that the question of appointment of an Authorised Controller for the Mill should immediately be taken up by the Ministry of Foreign Trade and Supply.

18. The Government replied that, though under the provisions of Mortgage deed the Corporation could legally sell the mortgage premises, the important consideration which had to be kept in view before any of the legal rights were exercised was to avoid the closure of the mills which would have created unemployment and loss of production.

Ultimately, however, a legal notice recalling the loan together with interest thereon was served upon the Company. The Government ordered an investigation into affairs of the Company under the Industries (Development and Regulation) Act, 1951. The Report of the Committee appointed for investigation was awaited. An authorised Controller for the Mills (New Victoria Mill had been appointed by Government with effect from the 1st September, 1969.

19. The Committee reiterate their earlier recommendations and desire that the Government should take special steps to safeguard its financial interests and furnish a report of the Committee appointed for investigation into the affairs of the Company under the Industries (Development and Regulation) Act, 1951 to the Committee on Public Undertakings.

*M/s. Bengal Laxmi Cotton Mills Ltd.,—Para 3.16 of Sixty-Third Report (4th Lok Sabha)*

### Recommendation (Serial No. 9)

20. The Company remitted a cheque to the Corporation for Rs. 1,52,490.80 on 1st February, 1967 towards repayment of the 6th instalment of principal as against Rs. 2,05,333 due from them. Similarly, the Company remitted a cheque for Rs. 38,122.70 on the 30th June, 1967 towards payment of interest as against Rs. 53,714.04. Ignoring the advice of the solicitor that the cheques could be accepted in part payment and without prejudice to the rights of the Corporation. The Corporation allowed the two cheques to lapse. The Committee were of the opinion that the Corporation should have accepted the two Cheques and then followed up for the balance. The Committee were disappointed at the indifferent manner in which the entire deal was handled by the Corporation.

21. In reply, the Government stated that the Company was asked to communicate their acceptance to the position as advised by the Solicitor. As there was no reply from the Company, the Solicitor was again consulted. The Solicitor advised that if no reply was received from the Company within 7 days the cheque would be returned and that the cheque should not be accepted unless the company agreed to its acceptance as advised to them by the Corporation. As no reply was received on the advice of the Solicitor it was decided not to encash the cheque.

As regards the other cheque for Rs. 38,122.70 the Solicitor was consulted as to whether the cheque could be accepted by the Corporation under protest. He advised that the cheque might be accepted provided the Company agreed to the same being taken without prejudice and in part payment of the amount due. The Company were advised accordingly. When no reply was received from the Company the Solicitor advised that there seemed no alternative but to return the cheque. The cheque was, therefore, returned to the Company.

In regard to the on-spot inspection of the mills it was stated that an officer of the Corporation was deputed to the mills in April, 1969. He submitted his report on the 24th April, 1969 which was placed before the Board of Directors on the 30th April, 1969.

22. The Committee are not at all convinced by the reply given by the Government. It would appear desirable that in such circumstances the Government should initiate enquiries to safeguard the Public Undertakings from the conduct of erring officers of Public Undertakings.

*M/s. Hira Mills Ltd.—Para 3.21 of Sixty-Third Report  
(4th Lok Sabha)*

#### **Recommendation (Serial No. 10)**

23. The Committee were of the opinion that the working of the Mill was not satisfactory and at the time of sanction of loan the Company did not have sufficient working capital. The Committee deprecated the practice of granting loan without examining the soundness of the borrowing Company. They also suggested to the Government to take quick decision regarding the Corporation's recommendation that the Company which was under the management of the Authorised Controller should be taken over by the National Textile Corporation.

24. Government in their reply while accepting the unsatisfactory working of the Mill stated that the Cotton Textile Loans Advi-

sory Committee for the Corporation recommended that the scheme advised by the Survey Party of the Textile Commissioner's office should be implemented. A special condition was stipulated that the Company should convert Rs. 11.50 lakhs of loan obtained by them from their Directors into share capital and the remaining amount of 11.50 lakhs might be repaid by the Company with the prior permission of the Corporation after half of amount of the loan from the Corporation had been repaid. The Company had accordingly, increased their share capital by Rs. 11.5 lakhs before executing the mortgage deed in favour of the Corporation.

As regards taking over of the Mill by the National Textile Corporation, the Government had decided to reconstruct the mills under the Cotton Textile Companies (Management of Undertakings and Liquidation) Act, 1967 and the Authorised Controller of the Mills had been asked to submit a detailed scheme expeditiously.

**25. The Committee are surprised at the complacent contradiction so apparent in the Government's reply to the Committee's recommendations at Serial Nos. 5 and 10. The Committee, therefore, reiterate their earlier recommendation.**

*M/s. Maheshwari Devi Jute Mills—Para 3.34 of Sixty-Third Report  
(4th Lok Sabha)*

#### **Recommendation (Serial No. 12)**

26. The Committee were of the view that the Corporation had committed a great blunder by agreeing to the sale of the mortgage properties by the court and ignoring to take the possessions of the mills, with the consequence that the expenditure incurred on litigation became unavoidable and the realisation of the dues of the Corporation become far from assured.

27. The Government stated in their reply that the Corporation had agreed to the sale of mills' property that had been attached for non-payment of dues such as sales-tax, provident funds etc., on the condition that the sale would be subject to the prior charge of the Corporation and the payment of its dues should be made in the first instance out of the sale proceeds. The Corporation was advised by its advocate that by the sale of the Company's properties no harm would accrue to the Corporation and its rights would remain unaffected. The Additional Collector (RA), Kanpur, in his orders stated that "the properties attached could be sold but that the claims of the N.I.D.C. will have priority which would get effect in order of the receipt of recovery certificates of the respective dues by the Collector from De-

partments concerned". As this fully assured payment of the Corporation's dues out of the sale proceeds, the need for the Corporation contesting the sale did not arise. It was only subsequently that the Commissioner, Allahabad Division, Allahabad while confirming the sale held that the Government dues would have priority over the dues of the Corporation out of the sale proceeds but the sale was subject to the charge of the Corporation.

The Corporation had, therefore, to file a writ petition in the High Court against the decision of the Commissioner. The writ petition was dismissed by the High Court and now a special appeal had been filed in the High Court at Allahabad by the Corporation against dismissal of its writ petition. Government further stated that no decision had yet been taken on the special appeal filed by the Corporation in the Allahabad High Court. Its hearing has been fixed for 21st August, 1972.

28. As regards application for appointment of a Receiver of the Mills which was pending before the Second Civil Judge, Kanpur, Government stated that further proceedings in the case had been stayed in view of the order passed by the Allahabad High Court on the application of M/s. Jaipur Udyog Ltd., that Receiver should not take over charge of the mills properties. Action had been taken by the Corporation for filing an application in the High Court for either vacating the stay order or for issue directions to the Civil Judge for expediting the disposal of the case.

**29. The reply given by the Government to the Committee's recommendation is most unconvincing. The Committee therefore, reiterate their earlier recommendation that the Corporation had committed a great blunder by agreeing to the sale of mortgaged properties by the Court and ignoring to take the possessions of the mills, with the consequence that the expenditure incurred on litigation became unavoidable and the realisation of the dues of the Corporation became far from assured.**

*Technological Consultancy Bureau—Para 4.3 of Sixty-Third Report  
(4th Lok Sabha)*

**Recommendation (Serial No. 13)**

30. Having gone through the merits of working of the N.I.D.C., the Committee were convinced that such a project as the T.C.B., should not have been launched without a proper project report. The Committee reiterated for the third time the recommendations of the Estimates Committee in their 122nd Report (1960-61) and 20th Action Taken Report (1962-63).



31. The Government, in their reply stated that N.I.D.C. Board had considered this matter at great length in consultation with industrial members of the Board and technical Directors. It was considered that the setting up of such a Bureau would fill the gap in regard to the consultancy arrangements in the country and might ultimately lead to training of manpower to undertake consultancy and design work considerable savings in foreign exchange. Government further stated that a further expert examination on the working of T.C.B. was being undertaken by the Corporation.

**32. The reply given by the Government is totally unconvincing. The Committee feel concerned that in spite of their repeated observations that T.C.B. should not have been set up without a detailed project report, no attention has been paid by the Government.**

*Technological Consultancy Bureau—Para 4.16 of Sixty-Third Report  
(4th Lok Sabha)*

**Recommendation (Serial No. 14) . .**

33. The Committee were surprised that for the Evaluation, Scrutiny, Technical Appraisal of Preliminary Project Reports the N.I.D.C. engineers could submit a report without visiting the actual site.

34. The Government replied that in the Report in question, relevant data were made available to the officers concerned and therefore, the need for their paying visits to the sites did not arise.

**35. If a visit to the actual site was not considered necessary, the Committee fail to understand why the visit abroad was at all made by the N.I.D.C., officers.**

*Profits—Para 5.16 of Sixty-Third Report (4th Lok Sabha)*

**Recommendation (Serial No. 20)**

36. The Committee were of the opinion that figures of profits earned by the Corporation were being over-shadowed by the heavy debts of the Corporation. The overall picture of the financial soundness of the Corporation was illusory.

37. The Government, stated in their reply that so far as loans advanced by the Corporation were concerned the Corporation had been only acting as an agency of the Government for the grant of these loans and the amounts are credited to Government as and when recovered from borrower companies. None of these loans had so far been considered bad or doubtful.

In regard to the amounts outstanding against various parties for the services rendered by the T.C.B. from time to time, it might be mentioned that only an amount of Rs. 44,126.56 is in dispute and for this, due provision had been made in the Profit and Loss Account for the year ended 31st March, 1970, and that remaining amount was not considered doubtful of recovery.

38. Having regard to the position explained above, it was considered that the accounts of the Corporation represented a true and fair picture of its financial position.

**39. The Committee are not convinced with the reply of the Government that the accounts of the Corporation give a true and fair picture of its financial position. The Committee therefore, reiterate that Government should take immediate legal action to recover the outstanding dues. This should be truly reflected in the profit and loss accounts. . .**

*Delegation of Powers to the Managing Director—Para 6.17 of Sixty-third Report (4th Lok Sabha)*

#### **Recommendation (Serial No. 24)**

40. The Committee formed the impression that the delegation of residuary powers to the Managing Director had resulted in violation of the provisions of the Companies Act. The Committee recommended that the Government should examine whether by delegating the residuary powers to the Managing Director, the Board of Directors had flouted any of the provisions of the Companies Act.

41. The Government in their reply stated that the Board of Directors exercised overall control over the working of the Corporation and reserved for themselves 19 specific powers covering all matters of policy and budgetary control. The residual powers delegated to the Managing Director were only such powers as were necessary for the Chief Executive to discharge his functions. However, the matter had been taken up with the Department of Company Affairs to find out whether there violation of any provisions of the Companies Act.

42. Department of Company Affairs *vide* their D.O. No. 15|13|71/IGC dated 1st May, 1972 addressed to the Ministry of Industrial Development stated as under:—

“It has been observed in this connection that Articles 69 and 72 of the Articles of Association of the Company are relevant. These Articles seem to make it clear that all the

powers of the management vest in the Board of Directors as a whole and it is for the President to clothe the Managing Director with any of those powers. Hence the resolution of the Board of Directors passed on 28-10-69 does not strictly appear competent.

It is, therefore, requested that the Ministry of Industrial Development may give further thought to the matter and take appropriate action in the light of the above suggestions."

**43. In view of the opinion expressed by the Department of the Company Affairs in May, 1972, it is obvious that the Board of Directors were not competent to vest such powers in the Managing Director. This is also confirmed by the many irregularities which came to the notice of the Committee during their examination of the N.I.D.C. The Committee feel that the Government should make a proper evaluation of the manner in which the powers vested in the Managing Director were exercised.**

*Time recording clocks—Para 7.7 of Sixty-Third Report  
(4th Lok Sabha)*

**Recommendation (Serial No. 31)**

44. The Committee were of the opinion that the expenditure of Rs. 11,340/- incurred on purchase of the time recording clocks was not necessary and has proved to be infructuous.

45. The Government replied that the time Clocks had been installed to facilitate recording of the attendance of individual employees. This procedure, prevalent in modern organisations—simplified recording of attendance.

46. The Committee are not convinced with reply of the Government and, therefore, reiterate that the expenditure of Rs. 11,340 incurred on purchase of time recording clocks was not necessary and has proved to be infructuous.

*Hiring of Accommodation—Para 7.13 of Sixty-Third Report  
(4th Lok Sabha)*

**Recommendation (Serial No. 32)**

47. The Committee felt that hiring of such costly accommodation which they were occupying on a rent of Rs. 4.5 lakhs per annum was not justified.

48 The Government stated in their reply that as against the present rental of Rs. 4.5 lakhs per annum for a usable area of 34750 sq. ft., the Corporation had been previously paying a rental of Rs. 3,64,140 per annum for an area of 20,693 sq. ft. In actual fact, therefore, the present premises had been hired on a cheaper rate than the previous accommodation.

49 The Committee are not convinced with Government's reply and therefore, reiterate their earlier recommendation that hiring of such a costly accommodation was not justified.

*Installation of Telephones at the residences of officers— Para 7.27 of Sixty-Third Report (4th Lok Sabha)*

#### **Recommendation (Serial No. 34)**

50. The Committee recommended that Government should probe into the affairs of the installation of telephones without approval of the Board of Directors and if necessary effect the recovery of the cost involved in this unauthorised expenditure.

51. The Government in their reply stated that this was a matter within the competence of the Board of Directors of the Corporation who have considered the position and have ratified the sanction at their meeting on 2-2-1970.

52. The Committee are not convinced with the reply given by the Government and observe that such anticipatory action on the part of the Managing Director resulting in procedural lapses should have been avoided.

## CHAPTER II

### RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

#### Recommendation (Serial No. 15)

The Committee feel that the N.I.D.C. had mostly undertaken assignments for Technical Appraisals, Demand Surveys or general studies and not undertaken sufficient assignments for the actual establishment of industries. With technologists having professional background in their respective fields of activity, the N.I.D.C. should have been in a position to handle assignments of more concrete nature. (Paragraph 4.7).

#### Reply of Government

Due to difficulties in the earlier years of availability of suitable and experienced technical personnel in the country, the technical capabilities and capacities of the Corporation grew relatively slowly. However, in recent years, this has speeded up very considerably.

In the initial period, therefore, simpler assignments such as Demand Surveys, Feasibility Studies, etc., could only be undertaken and gradually the work has shifted to the more complex aspects of detailed design and engineering.

The following figures show that with the growth of organisation's capacity and capability there has been steady shift towards complicated detailed engineering assignments.

Year	Percentage of Value of total services	
	Detailed Engrs.	Prel. Studies, etc.
1969-70	96.5%	3.5%
1968-69	96.5%	3.5%
1967-68	84.0%	16.0%
1966-67	76.0%	24.0%

[Min. of Ind. Dev. & Int. Trade O.M. No. 3(1)/69-NIDC (IC) dated 8-12-1970]

### **Further information called for by the Committee**

Please state the details of the Detailed Engineering assignments and Preliminary Studies undertaken by the N.I.D.C. from the years 1966-67 to the year 1969-70.

[Lok Sabha Sectt. O.M. No. 24-PU/70 dt. 23-2-71]

### **Further reply of Government**

A report was called from the Managing Director. The attached detailed statement (Appendix I), received from them, will indicate the details of the Engineering Assignments and Preliminary Studies undertaken by them during the years 1966-67 to 1969-70.

[Min. of Ind. Dev. & Int. Trade O.M. No. 3(1)/69-NIDC(IC) dated  
29-4-1971]

### **Recommendation (Serial No. 16)**

The Committee are not happy over the fact that the Managing Director has been left with the sole powers of settling prices even though at the cost of the Corporation. The Committee are not convinced of the argument that a reduced price was charged because this was the first job taken on turn-key basis and that lower fee was charged because of Himachal Pradesh being relatively lesser developed area. The Committee are of the opinion that the Board of Directors have failed to give any guidelines to the Managing Director in regard to reducing the fees. They feel that such cases of charging lower prices should have been placed before the Board of Directors for their concurrence. (Paragraph 4.21)

### **Reply of Government**

The Committee have observed that the Board of Directors failed to give any guide-line to the Managing Director in regard to the reduction in fees. They are of the opinion that such cases of charging lower prices should have been placed before the Board of Directors for their concurrence. In this connection, it has been decided by the Board of Directors of the Corporation in their meeting held on 2nd February, 1970 that when any offers are made by the Corporation, the fees quoted to the client in each and every case should be reported to the Board for information and in cases where it is proposed to quote fees below the estimated cost, these should be placed before the Board for approval. Relevant extract from the

minutes of the Meeting of the Board of Directors is reproduced below:—

“(b) Work in progress (Feasibility Studies Market Surveys and Initial Planning Studies).

The Board while taking note of the Report directed that in future as and when any offers are made by the Corporation, the fees quoted to the clients in each and every case should be reported to the Board for information and in cases—where it is proposed to quote fees below the estimated costs these should be placed before the Board for prior approval. Further, on the completion of an assignment a report on the fees actually charged and expenditure incurred as compared with the estimates prepared in this behalf at the time of quoting for the assignment should also be placed before the Board.”

[Min. of Ind. Dev. & Int. Trade O.M. No. 3(1)/69-NIDC(IC) dated 8-12-1970]

#### **Recommendation (Serial No. 17)**

The Committee are surprised that the Corporation knowingly suffered a loss of Rs. 65,831|- for preparing Detailed Project Report of Machine Tool Accessories on behalf of William Jacks & Co. London, merely because this was one of the first jobs received from abroad and the Corporation wanted to convince the foreign firm of their capability to do such work. Further, the Committee note that the Board of Directors had left the fixation of fees (including under-charging) with the Managing Director and the Government too was not kept informed in this specific case that the N.I.D.C. was losing money on taking this foreign assignment. The Committee feel that cases where the price to be charged feel short of the estimated cost should have been dealt with the prior approval of the Board of Directors, if not of the Government. (Paragraph 4.24)

#### **Reply of Government**

The Board of Directors of the Corporation have decided on 2nd February, 1970 that in all cases where the fees proposed to be charged are expected to be lower than the estimated costs, such fees shall be fixed after the approval of the Board.

[Min. of Ind. Dev. & Int. Trade O.M. No. 3(1)/69-NIDC(IC) dated 8-12-1970]

### Recommendation (Serial No. 18)

The Committee regret that the desirability of providing a penalty clause or an incentive to ensure timely payments was not thought of by the N.I.D.C. till 1967. (Paragraph 4.34)

#### Reply of Government

Since bulk of the assignments in the earlier years were from Central and State Governments, the penalty clause for delayed payments was not introduced prior to 1967.

[Min. of Ind. Dev. & Int. Trade O.M. No. 3(1)/69-NIDC(IC) dated 8-12-1970]

### Recommendation (Serial No. 21)

The Committee observe that the composition of the Board of Directors has been undergoing frequent changes year after year and of the 8 Members all are Central Government servants. The Committee feel that frequent changes in the composition of the Board is not conducive to the efficient management of the undertaking. (Paragraph 6.5).

#### Reply of Government

Government agree with the Committee that frequent changes in the composition of Board of Directors are not conducive to efficient management. Every attempt is being made to keep such changes to a minimum and only when necessary. There have been only a few changes in the composition of the Board of Directors of N.I.D.C. in the last 2 years as will be seen from the following.

*As on 31st March, 1969*

*As on 31st March, 1970*

- |                               |                            |
|-------------------------------|----------------------------|
| 1. Shri K. B. Rao (Chairman)  | Shri K. B. Rao (Chairman)  |
| 2. Shri R. Venkataswamy Naidu | Dr. B. D. Kalelkar         |
| 3. Shri Charat Ram            | Shri N. J. Kamath          |
| 4. Shri C. B. Saran           | Shri P. D. Kasbekar        |
| 5. Shri Dilip Kumar Bose      | Shri Devinder Nath         |
| 6. Dr. Pranlal J. Patel       | Shri R. D. Sathe           |
| 7. Shri K. Balachandran       | Dr. B. D. Tilak            |
| 8. Shri P. D. Kasbekar        | Shri R. Venkataswamy Naidu |
| 9. Shri Devinder Nath         | Shri K. N. Modi            |



- |                                             |                                         |
|---------------------------------------------|-----------------------------------------|
| 10. Shri B. D. Kalelkar                     | Shri C. B. Saran                        |
| 11. Dr. B. D. Tilak                         | Shri Dilip Kumar Bose                   |
|                                             | Dr. Pranlal J. Patel                    |
| 12. Shri R. K. Sethi<br>(Managing Director) | Shri R. K. Sethi<br>(Managing Director) |

In the light of the Committee's observations and the Government's intention to further expand the role and activities of the Corporation, some changes are being made in the composition of the Board of Directors to ensure better guidance and control of its performance.

[Min. of Ind. Dev. & Int. Trade O.M. No. 3(1)/69-NIDC(IC) dated 8-12-1970]

### **Recommendation (Serial No. 25)**

In the opinion of the Committee a separate and well organised Financial Division with a Financial Adviser at its head is a pre-requisite for the efficient management of an undertaking. Apart from rendering expert financial guidance and advice the Financial Adviser is expected to study the economics of the undertaking with a view to advise the management on its efficient working. The Committee deplores that the NIDC did not feel the necessity of appointing a Financial Adviser and Chief Accounts Officer and the Government realising the necessity for it did not take steps to enforce it on NIDC. (Paragraph 6.21).

### **Reply of Government**

The need for having a separate Finance Division, headed by a Financial Adviser, was not felt because financial matters relating to sanctions and disbursements of loans were being dealt with by a Chief Loans Officer and the residual work relating to administrative and other matters was not of such a magnitude as to justify a full-fledged Finance Wing.

Government are, however, advising the Corporation to constantly review the financial work and to institute a full-fledged Finance Wing under the control of a Financial Adviser as soon as workload and complexity justifies this.

[Min. of Ind. Dev. & Int. Trade O.M. No. 3(1)/69-NIDC(IC) dated 8-12-1970]

### **Further information called for by the Committee**

Please indicate whether the NIDC has since instituted a full fledged Finance Wing under the control of Financial Adviser.

[Lok Sabha Sectt. O.M. No. 24-PU/70 dated 23-2-71]

### **Further reply of Government**

The position still remains the same. The Government has already advised the Corporation to constantly review the financial position and institute a full-fledged financial wing under the control of a Financial Adviser as soon as the workload and complexity justifies this.

[Min. of Ind. Dev. & Inst. Trade O.M. No. 3(1)/69-NIDC(IC) dated 29-4-1971]

### **Recommendation (Serial No. 26)**

The Committee are doubtful whether the plea taken by the Corporation for not having a comprehensive and effective system of internal audit as suggested by the Bureau of Public Enterprises is justified in view of the losses of public funds as evidenced in cases of purchase of air-conditioners, hire of office accommodation and purchase of time recording clocks, etc. The Committee feel that the Corporation should have introduced a comprehensive and effective system of internal audit like every other public sector undertaking. (Paragraph 6.25).

### **Reply of Government**

On consideration of the suggestions contained in the circular from the Bureau of Public Enterprises to all Public Sector Undertakings for the introduction of a comprehensive and effective system of internal audit, it was felt that the suggestions contained therein were generally intended for manufacturing undertakings and, therefore, these might not be strictly applicable to the Corporation. Accordingly, a clarification in the matter was obtained from the Bureau of Public Enterprises. It was stated by them that their circular was generally intended for manufacturing, trading, shipping and such other companies. As regards the question whether the Corporation should have an internal audit cell they left it to the discretion of the Corporation whether or not to establish separate internal audit department. In this connection it was decided by the Board of Directors of the Corporation that having regard to the

volume and type of business conducted by the Corporation a separate internal audit section would not be justified. It may be stated here that necessary pre-checks to the extent possible are being exercised by the Accounts Department of the Corporation.

However, the Board of Directors have since then again taken up this matter and are considering the most effective means of introducing such a system.

[Min. of Ind. Dev. & Int. Trade O.M. No. 3(1)/69-NIDC(IC) dated  
8-12-1970]

#### **Further information called for by the Committee**

Please state as to what steps have been taken for the most effective means of introducing a comprehensive and effective system of internal audit like other public sector undertakings, in the case of NIDC.

[Lok Sabha Sectt. O.M. No. 24-PU/70 dated 23-2-1971]

#### **Further reply of Government**

The Corporation has been advised to reconsider the matter. The Board of Directors are again considering the issue of introducing a system of internal audit.

[Min. of Ind. Dev. & Int. Trade O.M. No. 3(1)/69/NIDC(IC) dated  
29-4-71]

#### **Supplementary information required on recommendation No. 26**

Please intimate the decision taken by the Board of Directors in introducing a comprehensive and effective system of internal audit in NIDC.

[Lok Sabha Sectt. O.M. No. 24-PU/71, dated 15-11-1971]

#### **Reply of Government**

The matter has since been considered by the Board of Directors. The decision of the Board is reproduced below:

‘The Board agreed that an officer in the scale of pay of Rs. 700—1400 designated as ‘Internal Auditor’ may be appointed for carrying out the following functions and

responsibilities and submit periodical reports thereon to the Managing Director:—

- (i) to carry out periodical test checks of financial transactions;
- (ii) to make a constant examination and review of the system of costing and to advise on improvement therein;
- (iii) to keep a watch on the procedures followed in various departments|divisions with a view to ensure that the procedures as prescribed are followed;
- (vi) to advise on procedures for purchase, stores accounting and maintenance of accounts;
- (iv) to evolve a system of maintenance of cost and expenditure accounts in respect of various assignments and maintain such accounts;
- (v) to examine and scrutinise cost estimates in respect of each assignment with reference to actual expenditure that may be incurred;
- (vii) to develop and organise management accounting techniques and to carry out performance analysis;
- (viii) to carry out such other functions as may be assigned from time to time.

The Board further decided that the officers should for the present be appointed only for one year and the position may be reviewed thereafter. The Board also decided that required supporting staff should be provided from within existing sanction."

Action for appointed of Internal Auditor is being taken.

[Min. of Industrial Development O.M. No. 3(1)/69-NIDC(TD)  
Dt. 5-1-1972]

#### **Recommendation (Serial No. 27)**

Since the loaning activities of the Corporation has ceased with effect from 1963, the Committee fail to understand the necessity of maintaining an establishment at Bombay. The work allotted to Bombay Office could conveniently be transferred to Delhi Office. The Committee, therefore, recommend that the Bombay Office of the NIDC should be wound up. (Paragraph 6.27)

### Reply of Government

The recommendation of the Committee is accepted and the Corporation is being advised to take action for its implementation.

[Min. of Ind. Dev. & Int. Trade O.M. No. 3(1)/69-NIDC(IC) dated 8-12-1970]

### Further information called for by the Committee

Please state the action taken by the Corporation to implement this recommendation.

[Lok Sabha Sectt. O.M. No. 24-PU/70 dated 23-2-1971]

### Further reply of Government

The Corporation who were advised to implement the recommendation have intimated that they are considering the question of providing alternative employment to the staff working in the Bombay Office. As soon as this is done, action for winding up that office will be taken.

[Min. of Ind. Dev. & Int. Trade O.M. No. 3(1)/69/NIDC(IC) dated 29-4-71]

### Supplementary information required on recommendation No. 27

Please state as to what steps have been taken by the Corporation for providing alternative employment to the staff working in Bombay office of NIDC.

The time limit upto which the Bombay office is likely to be wound up may also be intimated.

[Lok Sabha Sectt. O.M. No. 24-PU/70 dt. 15-11-71]

### Reply of Government

Efforts for providing alternative employment to the staff working in Bombay office of the Corporation are being made through the good offices of the Managing Directors of the following public sector undertakings who have been furnished with the particulars of the staff concerned:—

- (i) Hindustan Organic Chemicals Ltd.
- (ii) State Industrial & Investment Corporation of Maharashtra Limited.

It is proposed to await the results of these efforts before the Corporation's office at Bombay is wound up.

[Min. of Ind. Dev. O.M. No. 3(1)/69-NIDC/TD Dated 5-1-1972.]

**Recommendation (Serial No. 28)**

It has been observed that the Corporation has not framed any recruitment Rules. A number of recruitments to high salary posts have been made by the Corporation without proper advertisement. Recruitment to subordinate posts were also made without going through the accepted procedure of advertisement or through the Employment Exchange. The Committee are of the opinion that since the Corporation is adopting Central Government Rules, it has violated the Compulsory Notification of Vacancies Act.

(Paragraph 6.34)

**Reply of Government**

The Corporation has framed its own Recruitment and Promotion Rules and these have been brought into force with effect from 10th June, 1970.

[Min. of Ind. Dev. & Int. Trade O.M. No. 3(1)/69-NIDC(IC) dated 8-12-1970]

List of higher posts filled by the NIDC without advertisement during the last three years is enclosed (Appendix—II).

[M. of Ind. Dev. O.M. No. 41|22|72-TD dated 16-6-1972].

**Recommendation (Serial No. 29)**

The Committee note that the Corporation did not arrange any refresher courses for different categories of employees specially for the serving engineers and management personnel to keep them in touch with modern technical advancements. The Corporation should have considered deputing selected technical personnel for courses in other Institutions in India. (Paragraph 6.36)

**Reply of Government**

In the earlier years, the Corporation was not able to release staff for refresher or special courses due to shortages in technical manpower strength. With the build-up of strength, the Corporation is now assigning its technical personnel for such courses within the limitations of resources, needs and availability. Junior Engineers are being frequently sent to visit plants and industrial establish-

ments in India to acquire first hand and practical knowledge. The Corporation is also arranging with concerned National Institutions for specialised courses for its staff.

[Min. of Ind. Dev. & Int. Trade O.M. No. 3(1)/69/NIDC(IC) dated  
8-12-1970]

### **Recommendation (Serial No. 30)**

From the powers delegated to the Dy. Chief Consultant, it is observed that he was competent to sanction expenditure for the purchase of instrument, minor equipments and apparatus up to Rs. 5,000|- per annum. The NIDC purchased two time clocks in November, 1966 for Rs. 6,000|- under the verbal instructions of the Dy. Chief Consultant. Thus it would be seen that the Deputy Chief Consultant had gone beyond the scope of powers delegated to him. The Committee take a serious view of this misuse of power by the Dy. Chief Consultant and lack of supervision on the part of the Managing Director to allow such things to happen. (Paragraph 7.6)

### **Reply of Government**

When this purchase was sanctioned by the Deputy Chief Consultant, he was vested with the powers, which *inter-alia* included the powers of a Head of Department in the Central Government under which he was competent to sanction the purchase of Clocks vide para 24(ii) of Annexure to Schedule V of Rule 10 of Delegation of Financial Powers Rules, 1958.

[Min. of Ind. Dev. & Int. Trade O.M. No. 3(1)|69-NIDC(IC) dated  
8-12-1970]

## CHAPTER III

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

#### Recommendation (Serial No. 1)

After a perusal of all the correspondence, the Committee are of the view that the NIDC was convinced on the basis of a note dated 9-8-1953 to the Cabinet by the Minister of Commerce and Industry and the Government adopted the idea without the consideration by the different Ministries which is the usual practice before such a note is considered by the Cabinet. The Committee are of the opinion that NIDC was delivered as a still-born child as a result of inter-Ministerial rivalry and dispute over its functions as is evident in the set of correspondence made available to the Committee. (Paragraph 1.10).

#### Reply of Government

In a minute recorded on 9-8-1953, bringing out the relative slow pace of industrial development, the then Minister of Commerce and Industry, suggested certain measures for stepping up the rate of industrial growth and development. One of the courses suggested in his minute was that an 'Industrial Development Corporation' might be set up. A note circulated to Secretaries regarding the formation of an 'Industrial Development Corporation' was considered at a meeting held by the Secretary, Commerce and Industry Ministry, on the 11th October, 1953. The decisions taken in the inter-Ministerial meeting find place in the note for the Cabinet dated 13-10-53, para 9 of which clearly brings out the proposal for setting up an Industrial Development Corporation was fully accepted and endorsed by the Secretaries concerned in an inter-departmental meeting. Relevant extracts from the para are reproduced below:

"9. The proposal in this note was considered by an inter-departmental meeting at Secretary's level. There was unanimous agreement about the necessity of establishing a Corporation of this character for speeding up industrial development. There was general agreement on the constitution, functions, and methods of operation of the



Corporation, as envisaged in this note. It was recognised, that in the earlier stages the entire finances will have to be provided by Government and considerable risks taken. But it was, at the same time, equally recognised that these risks should be taken in the interest of industrial development. It was also agreed that the role of the present Ministry of Production should be clarified and defined. For the interim period, until the Corporation is established by law, the concensus of opinion was that a non-statutory Board should be set up."

2. Not only was the issue discussed at length in the inter-Ministerial meeting, but fully gone into at the Cabinet level. It was first considered in the Cabinet meeting held on 15th October, 1953, when it was decided to re-examine the proposal and to place it again before the Cabinet. It was again considered by the Cabinet on 8th January, 1954, when the proposal was approved in principle and it was decided that the further details should be worked out by the Ministry of Commerce and Industry, in consultation with the Ministry of Production. The detailed functions of the N.I.D.C. were discussed in the Production Committee of the Cabinet held on 18th November, 1954, when it was decided that the N.I.D.C. would work in close co-operation with the Planning Commission in the selection of industries, etc.

3. The above details indicate that there was no inter-Ministerial rivalry. On the contrary as is brought out above, the need and usefulness for such a Corporation was fully accepted and recognised. Hence it would not be correct to say that the N.I.D.C. was delievered as a still-born child as a result of inter1Ministerial rivalry.

[Min. of Ind. Dev. & Int. Trade O.M. 3(1) |61-NIDC (IC) dated 8-12-1970)

### **Recommendation (Serial No. 3)**

The Committee note that during the last 16 years of its life, the NIDC had taken up only 9 cases of detailed engineering. The Committee feel that the N.I.D.C. has not achieved the aims and objectives for which it was set up and has degenerated into a consultancy service. (Paragraph 1.19).

### **Reply of Government**

The Committee have observed that the NIDC has not achieved the aims and objectives for which it was set up and has degenerated into a consultancy service. As already mentioned in reply to para

1.17, the main task assigned to the N.I.D.C. included the identification of gaps in industry and the economic and technical investigations of industrial projects. Another vital element in the establishment of any new industry is the designing and engineering of such projects. All these activities commencing from identification of gaps to the designing and engineering of a Project are covered within the activity generally termed as 'Consultant Engineering Services'. The development of the NIDC into a major Consultant Engineering Service over the years, inevitably follows from the primary functions envisaged for this Corporation and is, in fact, a fulfilment of its basic role.

The activity of consultant engineering being a vital element of industrial growth, the development of this capability by the N.I.D.C. has helped greatly to fill essential infra-structure gap in industrial growth. Had the N.I.D.C. not developed these capabilities and capacities, the detailed designs and engineering services rendered by it during the last few years in respect of major projects would have had to be inducted from abroad with considerable foreign exchange expenditure. The development of its capabilities in the field of consultant engineering has also greatly helped to conserve foreign exchange. In fact, with the growth of these capabilities in the N.I.D.C., it has over the past few years been able to enter foreign markets as well and to earn valuable foreign exchange through the rendering of such Services.

For a technical organisation to be in a position to handle the extremely complicated task of detailed engineering of large and complex projects, it has first to equip itself with qualified and experienced technical personnel in adequate numbers. With the objective of manning the technical cadres of the Corporation with suitably qualified and experienced Indian personnel, the growth of technical capabilities and capacities within the Corporation have necessarily had to be commensurate with the availability of such personnel in the country itself. During the earlier years of its existence and till around 1961-62, the growth rate in this respect was, therefore, unavoidably slow. As more and more experienced and highly qualified technical personnel began to become available in the country, the rate of growth of capabilities and capacities with the Corporation also accelerated. As such the Corporation was not in a position to undertake any detailed engineering work in the earlier years of its existence and such work came within her capabilities only from around 1962-63. As the capabilities and capacity grew, it took on more and more of this complicated work and was able to undertake a cases of detailed engineering during

the period 1962-63 with the continuous growth of its capabilities, it has been able to undertake 9 cases of detailed engineering assignments in a single year (1969-70). This is a clear evidence of the steady growth of its technical capabilities and capacities.

[Min. of Ind. Dev. & Int. Trade O.M. No. 3(1)|69-NIDC(IC)  
dated 8-12-1970].

### **Recommendation (Serial No. 11)**

The Committee feel that except for the issue of routing reminders, no action was taken by the Corporation for the realisation of dues. The Committee also deprecate that no penalty clause for levying the penal rate of interest in case of default in making repayment of the principal on due dates was made in the Agreement resulting in heavy losses to the Corporation (Paragraph 3.26).

### **Reply of Government**

The Corporation apart from written reminders to the company requesting them for payment of the amount in default also held discussions with the representatives of the company with a view to realising the amount in default. Since the company still did not make good the defaults, a notice dated 20th December, 1969 calling upon the company to repay the loan in full together with interest thereon was served upon the Company. Further action in pursuance of this notice has, however, had to be held in abeyance as meanwhile the corporation was advised by the Industrial Finance Corporation of India that a comprehensive scheme of rehabilitation of the company envisaging the grant of financial assistance of the order of Rs. 60 lakhs by the Industrial Development Bank of India was under consideration of the I.D.B.I. in consultation with them and they desired that when serious efforts were being put in to rehabilitate this mill which was one of the biggest textile units in Madhya Pradesh (a comparatively less developed State) and employed 6,000 workers the Corporation should not take any precipitate action against the company without consulting them. In view of the involvement of other financial institutions in this case it was considered appropriate to discuss the matter with them before the Corporation decided upon the further course of action to be taken for recovery of its dues. The company has since been granted financial assistance by the Industrial Development Bank of India to the extent of Rs. 43 lakhs and as a consequence to the arrangements entered into by the Company with the Industrial Development Bank of India for the said loan and also Industrial Financial Corporation of India the company have approached the Corporation with a proposal to reschedule the repayment of its loan.

As regards penalty clause for levying the penal rate of interest in case of default in making repayment of instalment of principal on due date no provision in this behalf at present exists in the agreement between the Corporation and the Company. There is only a provision that in the event of the company defaulting in the apyment of interest, they shall be liable to pay interest at the higher rate. As such the company have hitherto been charged interest at the higher rate consequent to defaults on their part in the payment of interest.

The Company's proposal to reschedule the repayment of the loan has been examined by the Corporation who have decided to accept the same subject to Government's approval and with the proviso that the company shall pay interest @ 7½ per cent p.a.

[Min. of Ind. Dev. & Int. Trade O.M. No. 3(1)|69-NIDC(IC) dated 8-12-970]

### **Recommendation (Serial No. 19)**

The Committee are not at all satisfied with the way the Corporation have been pursuing loan recoveries. Instead of concentrating fully on realising the dues, attempts are being made to hand over the responsibility to other undertakings like I.F.C. and Textile Corporation who are reluctant to accept it. The Committee are anxious that the Government|Corporation should take legal steps to realise the outstanding dues. (Paragraph 5.11).

### **Reply of Government**

As on 31st March, 1969, there were 14 cases of default. Out of these in 2 cases the Corporation has decided to file legal suits against the companies concerned. However, in one of these cases action for filling the suit has been held in abeyance as a scheme of arrangement filed by the company is pending in the High Court. In 3 cases notices have been served upon the companies in question requiring them to pay in full amounts advanced to them together with interest thereon. 1 case is already sub-judice. 2 mill companies are under the management of Authorised Controllers. These have also been declared as Relief Undertakings by the State Governments concerned and as such legal action in these cases at this stage is not possible. One company which is also under the management of an Authorised Controller is under liquidation in terms of Cotton Textile Companies (Management of Undertakings and Liquidation or Reconstruction) Rules, 1968. In 2 cases the companies have proposed certain arrangements for payment of the dues in default. In 1 case, the Corporation

has made a recommendation to the Government that the Mills may be taken over by the National Textile Corporation. In the remaining 2 cases, the defaults have already been made good by the mill companies concerned.

As regards transfer of the loaning activities the Government are examining the possibility of transferring to IFC or some other agency so as to enable the Corporation to give undivided attention to the important task of engineering and consultancy services.

[Min. of Ind. Dev. & Int. Trade O.M. No. 3(1)|69-NIDC(IC) dated 8-12-970]

#### **Further information called for by the Committee**

Please indicate the result of examination of the question of transferring to IFC or some other agency the loaning activities of the Corporation so that NIDC could give undivided attention to the important task of engineering and consultancy services.

[Lok Sabha Sectt. O.M. No. 24|PU|70 dt. 23-2-71]

#### **Further reply of Government**

The Government have carefully examined the question of transferring the loaning activities of the Corporation to the IFC and it has now been finally decided to transfer this work to the IFC in consultation with the Ministry of Law. Draft transfer documents (for the transfer of the loaning activities by the N.L.D.C. Ltd., in favour of the Government and by the Government in favour of the IFC) have been duly approved in consultation with the Ministry of Law. These drafts have been forwarded to the Corporation for taking further necessary action.

[Min. of Ind. Dev. & Int. Trade O.M. No. 3(1)|69-NIDC(IC) dated 29-4-1971]

#### **Supplementary information required on recommendation No. 19**

Please state what action has been taken by the Corporation on the draft transfer documents (for the transfer of loaning activities by the NIDC Ltd., in favour of the Government and by the Government in favour of the IFC) forwarded to them by the Government.

[Lok Sabha Sectt. O.M. No. 24-PU|70 dated 15-11-1971]

#### **Reply of Government**

The Corporation had forwarded the draft transfer documents for the transfer of the loaning activities (by the NIDC Ltd., in favour

of the Government and by the Government in favour of IFC) to the IFC for their approval. The IFC have made certain comments on the draft documents. These are under examination of the Government.

[Min. of Ind. Dev. & Int. Trade O.M. No. 3(1)|69-NIDC(IC) dated 5-1-1972]

### **Recommendation (Serial No. 22)**

The Committee deprecate that the directive of the Ministry of Commerce and Industry that the Board should be constituted by leading industrialists with a few scientists, economists or public men qualified to make a positive contribution were flouted. Had this directive been borne in mind, the Board should have made positive contributions in the efficient running of the Corporation. Instead, there were members on the Board who did not evince much interest in the affairs of the Corporation by frequently absenting themselves from the Board meeting regularly with the result that all powers of the Board passed on to the Managing Director. The Committee feel that if the Board was constituted as directed by the Cabinet, the Corporation would not have come to grief. (Paragraph 6.6).

### **Reply of Government**

The Committee have referred to the Summary for the Cabinet and have reproduced an extract therefrom. The initial thinking, as envisaged in the extract by the Committee, underwent several changes during the period that it was examined in the Cabinet in the course of more than a year. In the final decision, an emphasis was laid on the inclusion, on the Board of Directors, of Government officers and experienced industrialists. This is clear from the note prepared by the Ministry of Commerce and Industry, dated 21st July, 1954, circulated to the Members.

A list of the Board of Directors during the period 1954-70 is placed below which will indicate that the Board had not only Government officials as its members, but also industrialists, economists and scientists, depending on the availability of technical personnel like scientists, economists.

As regards the particular year, i. e. 1969-70 mentioned by the Committee, the Board was reconstituted in September, 1969. The official members continue almost as a routine, whereas for non-official members, it takes some time to suggest their names and get the final approval of the different Ministries concerned. Hence, although

there was some delay in placing the non-official members on the Board of Directors, the fact remains that as many as 5 non-official Directors were on the Board of Directors of the N.I.D.C. during the year 1969-70.

The other point raised is in regard to the Members of the Board absenting themselves frequently and thereby complete powers automatically passing on to the Managing Director.. The chart placed below indicates the names of the Directors who were present during the last two years, at the meetings of the Board of Directors. A perusal of the chart will indicate that the Managing Director had, at least three more Directors with him in each meeting and he was not left free to take decisions unilaterally. Besides at the particular meeting in which the resolution regarding the delegation of powers to the Managing Director was taken, i.e. on the 28th October, 1968, there were 9 Directors present out of the total strength of 12. Government also are convinced that the Corporation has done good work during its short life and has not come to grief as has been pointed out by the Committee.

[Min. of Ind. Dev. & Int. Trade O.M. No. 3(1)|69-NIDC (IC) dated 8-12-970]

### **Supplementary information required on recommendation No. 22**

The list of the Board of Directors and also a chart showing the names of the Directors who were present during the last two years at the meeting of the Board of Directors, stated to be enclosed, have not been received. These may be furnished to this Secretariat.

[Lok Sabha Secretariat O.M. No. 24-PU|70 dated 15-11-71]

### **Reply of Government**

A list of the Board of Directors of the Corporation during the period 1954—70 is enclosed (Appendix III). A chart showing the names of the Directors who were present at the meetings of the Board of Directors held during the period 31st July, 1968 to 31st July, 1970 is also enclosed (Appendix IV).

[Min. of Industrial Development O.M. No. 3(1)|69-NIDC|TD dated 5-1-1972]

## THE NATIONAL INDUSTRIAL DEVELOPMENT CORPORATION LIMITED

Date of the Meeting of the Board of Directors	Total No. of Directors on the Board	Total No. of Directors who attended the meeting
31st July, 1968	8	4
28th October, 1968	12	9
31st January, 1969	12	9
30th April, 1969	12	7
1st July, 1969	12	8
30th October, 1969	8	7
6th December, 1969	8	5
2nd February, 1970	8	4
7th March, 1970	13	7
25th April, 1970	13	6
10th June, 1970	13	5
18th July, 1970	13	7

**Recommendation (Serial No. 23)**

The Committee note that the number of meetings of the Executive Committee is almost the same as those of the Board. The primary object for the setting up of the Executive Committee was to meet more frequently than the Board to deal with immediate|urgent problems as they raise. Unfortunately, the real purpose was defeated. The Committee feel that planned meetings of the Executive Committee at frequent intervals could have functioned as an effective Standing Committee. (Paragraph 6.12).

**Reply of Government**

The meetings of the Executive Committee were held during the intervals between the Board Meetings to deal with urgent matters as and when they arose. Need for more frequent meetings of the Executive Committee was not felt.

Since October, 30, 1969, the Executive Committee has been dissolved by the Board of Directors of the N.I.D.C. and the Board itself now meets more frequently. From October, 1969 to September, 1970, the Board held eight meetings.

[Min. of Ind. Dev. & Int. Trade O.M. No. 3(1)|69-NIDC (IC) dated 8-12-970]



**Recommendation (Serial No. 33)** ..

M|s. Air-conditioning Corporation offered air-conditioners at Rs. 4174.90 and M|s. American Refrigeration Corporation offered at Rs. 4,200.90. The Committee are unable to understand why the NIDC did not consider the offer of these two companies in preference to M|s. Blue Star Engineering Co, specially when it was reported by the Chief Electrical Engineer that all the air-conditioners were fitted with the same machine. Instead of following the straight forward line of action, the NIDC authorities preferred the procedure of negotiating with the party who had quoted higher price for air-conditioners. (Paragraph 7.24).

**Reply of Government**

While reporting that all the air-conditioners offered were fitted with the same make of compressor unit, the Chief Electrical Engineer had drawn attention to certain technical features which were considered as making the Blue Star machines a mere acceptable unit, particularly in view of the marginal price differential between the alternative offers.

[Min. of Ind. Dev. & Int. Trade O.M. No. 3(1) | 69-NIDC (IC) dated 8-12-970]

## CHAPTER IV

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

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#### Recommendation (Serial No. 2)

From the information supplied by the Corporation, it would appear that apart from Indian Drugs and Pharmaceuticals Limited, the Corporation did not make any appreciable contribution either in the setting up or in the execution of these projects. The Committee are of the opinion that they have been misled by the statement of the Managing Director during the course of evidence held on 28-7-69. The Committee are convinced that NIDC did not play any appreciable role either in the conception or the execution of the five projects in the Public Sector and two projects in the Private Sector except to some extent in the case of Indian Drugs and Pharmaceuticals Limited. (Paragraph 1.17)

#### Reply of Government

The functions of the N.I.D.C. in the original proposal approved by the Cabinet envisaged that it will not only identify gaps in industry and advise on the most appropriate means of covering such gaps but would also implement and execute such projects. However, the OM issued by Government on the 8th September, 1956, which detailed the main tasks of the Corporation, defined that these tasks would include:

- (a) Grant of loans for the rehabilitation of jute and cotton textile industries, and
- (b) Economic and technical investigations of industrial projects with a view to their implementation either by the N.I.D.C. or by the Government or by any other agency approved by the Government.

It was further stipulated in this OM that as soon as a Project had been investigated by the N.I.D.C. and had reached the stage of investment decision, Government itself would decide the manner in which the project was to be financed, controlled and managed.

It is evident from the aforementioned OM issued by the Government in September, 1956, viz., only a short while after the incorpora-

tion of the N.I.D.C. that the activities of the Corporation in respect of the industrial development were essentially to be in respect of identification of gaps in industry, advice on the most suitable manner in which such gaps could be covered—which work necessarily includes Techno—economic investigations, preparation of Project Reports, Designs, etc., and that the actual implementation of projects was to be undertaken by Agencies—including the NIDC—on the specific decisions in respect of each Project by Government.

In each of the 10 cases relating to major industrial gaps handled by the Corporation in the earlier years of its existence, the N.I.D.C. was involved in the preliminary investigation relating to the identification of gaps and the Techno—economic investigations relating to each of these projects. In each case, the results of these Studies which had necessarily to be supplemented by detailed Project Reports undertaken by foreign agencies experts in view of the complexity and magnitude of the project involved, were examined by Government, who then took decisions on the subsequent course of action for the implementation of each of these major projects. Having regard to the magnitude of investment and import of technology and capital goods for each of these Projects, Government decided that 8 of the Projects which were to be assigned to the Public Sector should be implemented by independent bodies, incorporated as new public sector units for their implementation, execution and management. To other schemes developed by the N.I.D.C. were transferred by Government to the private sector.

Thus, the N.I.D.C. performed the functions assigned to it in respect of these projects which related to some of the most important industrial gaps at the time. The extent of the N.I.D.C.'s contribution in the earlier stages in these projects which were taken up in the very initial stages of the Corporation's existence were naturally commensurate with the gradual build-up of technical capabilities and capacities within the Corporation. As these technical capabilities and capacities grew, the Corporation undertook more and more of the techno-economic aspects of the work involved. As a result thereof, the later projects, *viz.*, India Drugs and Pharmaceuticals and the Hindustan Organic Chemicals assigned portions of their detailed engineering work also in 1962-63 to the N.I.D.C.

[Min. of Ind. Dev. & Int. Trade O.M. No. 3(1)|69-NIDC(IC) dated 8-12-70]

A note clarifying the functions of the NIDC is enclosed. (Appendix V.)

(Min. of Industrial Development O.M. No. 41|28|72—TD dt. 16-6-72)

### Comments of the Committee

Please see paras 1 to 7 of Chapter I of the Report.

#### Recommendation (Serial No. 4)

The Committee are of the opinion that in the absence of any instructions from the Government to the Corporation in regard to equitable distribution of loans, no special concessions or incentives were offered to encourage assistance to industries in the backward State. (Paragraph 2.14).

#### Reply of Government

The loaning activities of the Corporation were limited to the grant of financial assistance to existing units of the cotton textile and jute for modernisation and renovation and for the expansion of the machine tool industry. The need for special concessions or incentives being offered to encourage assistance to industries in backward areas did not, therefore, arise and accordingly no such instructions were issued by the Government to the Corporation.

[Min. of Ind. Dev. & Int. Trade O.M. No. 3(1) |69-NIDC (IC) dated 8-12-70]

#### .. Comments of the Committee

Please see paras 8 to 12 of Chapter I of the Report.

#### Recommendation (Serial No. 5)

On a perusal of the list of loanees, the Committee are of the opinion that loans were granted to parties who could have, perhaps, raised the necessary resources of their own without the special aid of N.I.D.C. and the funds given to them could have been preferably made available to other parties whose position to raise loans by other means equally strong. (Paragraph 2.16)

#### Reply of Government

The application for loans had been considered with reference to the needs for rehabilitation of the units and the financial positions of the units as such and not in relation to those who may have formal or informal controlling interest of the unit. Applicants' management, financial position, production efficiency, condition of Plant and machinery and capacity for repayment of loan have been the main criteria on which the loans were considered by the Corporation.

[Min. of Ind. Dev. & Int. Trade O.M. No. 3(1) |69-NIDC (IC) dated 8-12-70]

List of Big Industrial Houses to whom loans were granted by the N.I.D.C. during the last three years is enclosed (Appendix—VI) . It has been explained in the remarks column that no fresh applications for loans were entertained after February, 1963.

[Min. of Industrial Development O.M. No. 41|28|72-T.D. dt. 16-6-72].

### **Comments of the Committee**

Please see paras 10 to 12 of Chapter I of the Report.

### **Recommendation (Serial No. 6)**

The Committee are surprised that the rate of interest charged by N.I.D.C. was kept much lower than the rate charged by the Industrial Finance Corporation. The Committee deprecate that neither any time limit for withdrawal of loan instalments nor any provision for increase in the rate of interest to be charged in the event of Government charging higher rates from the Corporation was made in agreement with the loanee companies. (Paragraph 2.24)

### **Reply of Government**

The rate of interest charged by the N.I.D.C. has been lower than the rate charged by the I.F.C. as the loans given through the N.I.D.C. were intended for rehabilitation and modernisation purposes, etc., of the industries concerned.

With regard to drawal of loans by the borrower companies, no time limit had been specified in the mortgage deeds as the loans had been disbursed in stages as and when the machinery included in the scheme was purchased by the companies or they were required to make payment to the machinery suppliers in terms of the contracts entered into by them. Moreover, no definite time limit could be laid down for the implementation of a scheme to be financed from the loan, as that mainly depended upon the delivery position of the machinery. A review of each case was, however, made and where a company was not a position to satisfy the Corporation that the balance of the loan could be drawn by them within a reasonable period, the sanction of the loans to that extent was treated as lapsed.

[Min. of Ind. Dev. & Int. Trade O.M. No. 3(1)|69-NIDC (IC) dated 8-12-70]

### **Comments of the Committee**

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

### **Recommendation (Serial No. 7)**

The Committee are unhappy to note that even the steps required of the Corporation to be taken in terms of the mortgage deed were not initiated at all barring issue of routine reminders and discussion with the representatives of the loanee company. The Committee are of the opinion that the Corporation has failed in the discharge of its responsibility owing to the defective provisions in the agreement and has failed even to take the legal steps. The Government should have examined the question of taking steps to safeguard its financial interests. (Paragraph 3.9).

### **Reply of Government**

Although under the provisions of the mortgage deed the Corporation could legally sell the mortgaged premises, the important consideration which had to be kept in view before any of the legal rights were exercised was to avoid the closure of the mills which would have created unemployment and loss of production. As such, before taking recourse to legal action, the Corporation rightly took to discussions with the Company's representatives with a view to find out if they could put forth suitable proposals for payment of the amount in default. Ultimately, the proposals submitted by that Company were not considered satisfactory and a legal notice, recalling the loan together with interest thereon, was served upon the company on 4th May, 1970. The Government have ordered an investigation into the affairs of the company under the Industries (Development and Regulation) Act, 1951.

[Min. of Ind. Dev. & Int. Trade OM No. 3(1)|69-NIDC(IC) dated 8-12-70]

### **Further information called for by the Committee**

Please indicate the result of the investigations ordered into the affairs of M/s. Minerva Mills Ltd. under the Industries (Development and Regulation) Act, 1951.

(Lok Sabha Secretariat OM No. 24-PU|70 dated 23-2-71)

### **Further reply of Government**

The report of the Committee appointed for investigation into the affairs of the company under the Industries (Development and Regulation) Act, 1951 is awaited.

[Min. of Ind. Dev. & Int. Trade OM No. 3(1)|69-NIDC(IC) dated 29-4-71]

### .. Comments of the Committee

Please see paras 16 to 19 of Chapter I of the Report.

#### Recommendation (Serial No. 8)

The Committee feel that the question of appointment of an Authorised Controller for the Mill should immediately be taken up by the Ministry of Foreign Trade and Supply. (Paragraph 3.11).

#### Reply of Government

An authorised Controller for the Mills has been appointed by the Government with effect from 1st September, 1969.

[Min. of Ind. Dev. & Int. Trade OM No. 3(1) |69-NIDC (IC) dated 8-12-70]

### Comments of the Committee

Please see paras 17 to 19 of Chapter I of the Report.

#### Recommendation (Serial No. 9)

From the information available with the Committee it is seen that the Company remitted a cheque to the Corporation for Rs. 1,52,490.80 on 1st February, 1967 towards repayment of the 6th instalment of Principal as against Rs. 2,05,333 due from them. Similarly, the company remitted a cheque for Rs. 38,122.70 on the 30th June, 1967 towards payment of interest as against Rs. 53,714.04. The Solicitor had advised the Corporation that the cheques could be accepted in part payment and without prejudice to the rights of the Corporation. Ignoring the Solicitor's advice, the Corporation allowed the two cheques to lapse. The Committee are of the opinion that the Corporation should have accepted the two cheques and then followed up for the balance. They note that the officers of the Corporation entrusted with the preparation of a report by an on the spot inspection failed to submit the report after such a long time. The Committee are disappointed at the indifferent manner in which the entire dealing was handled by the Corporation. (Paragraph 3.16).

#### Reply of Government

As per the mortgage deed the sixth instalment of principal amounting to Rs. 2,05,333 fell due for repayment by the Company on 1st October, 1966. In this connection the following contentions were raised by the company:

- (i) The Corporation should call for repayment of the instalment in January and not in October as mentioned in the mortgage deed;
- (ii) The amount of each instalment should be Rs. 1,52,490.80 instead of Rs. 2,05,333 as per the schedule of repayment under the mortgage deed.

As the contentions raised by the company were contrary to the terms of the mortgage deed, the company were duly informed that these contentions could not be accepted by the Corporation. A cheque for Rs. 1,52,490.80 was received from the Company on the 1st February, 1967. The cheque was sent by the company towards repayment of the sixth instalment of principal in accordance with their contentions referred to above. As the Company's contentions had not been accepted by the Corporation, the Solicitor was requested to examine whether in the light of the correspondence exchanged between the company and the Corporation on the subject, the cheque could be accepted by the Corporation without prejudice to its interests. The Solicitor advised that having regard to the facts of the case the cheque could be accepted only in part payment of the sixth instalment and, therefore, the company might be requested to state whether they were willing to the cheque sent by them being so accepted. He added that it should also be made clear to the company that if they did not agree to the cheque being taken in part payment, it would be returned to them. The company were advised accordingly. The company in their reply merely asked for certain clarifications and did not furnish the confirmation required from them for acceptance of the cheque. The company were again informed as advised by the Solicitor that the cheque could be accepted by the Corporation without prejudice to the rights of the Corporation under the mortgage deed towards part payment of the sixth instalment of principal and on hearing from them agreeing to this the cheque would be encashed. There was no reply from the company to this. The Solicitor was again consulted. He then advised that a reminder should be sent to the company to confirm whether the cheque may be accepted without prejudice and in part payment of the sixth instalment and they may also be informed that if no reply was received from them within seven days the cheque will be returned. The Solicitor further added that in his view the cheque should not be accepted unless the company agreed to its acceptance as advised to them by the Corporation. The company were duly advised on the lines suggested by the Solicitor. As the company still did not send the required confirmation the matter was again referred to the

2096 LS—4.



the Solicitor for further advice. He then expressed the opinion that since it may not be prudent to return the cheque it may be sent for collection and the company be advised that the cheque has been accepted in part payment without prejudice to Corporation's interests. He, however, added that there may be some difficulty if the company replied that the cheque could not be accepted except as desired by them. In view of this, it was decided not to encash the cheque in question.

As regards the other cheque for Rs. 38,122.70, it may be explained that in view of the defaults on the part of the Company the company were liable to pay interest at the rate of  $7\frac{1}{2}$  per cent for the half year ended 30th June 1967. The amount of interest due from the company at this rate worked out to Rs. 97,799.58 including the arrears of interest due from them for the previous half-years. As against this, the company sent a cheque for Rs. 38,122.70 being interest calculated at the rate of 5 per cent for the said half-year. The Solicitor was consulted as to whether the cheque could be accepted by the Corporation under protest. He advised that the cheque might be accepted provided the company agreed to the same being taken without prejudice and in part payment of the amount due. The company were advised accordingly. When no reply was received from the company, the solicitor advised that there seemed no alternative but to return the cheque. The cheque was, therefore, returned to the company.

In regard to an on-the-spot inspection of the mills, it may be stated that in pursuance of the decision taken by the Board of Directors at their meeting held on 1st February, 1969, that an on-the-spot inspection of the company should be carried out by the officers of the Corporation, an officer of the Corporation was deputed to the mills in April 1969. He submitted his report on the 24th April, 1969 which was placed before the Board of Directors on 30th April, 1969.

[Min. of Ind. Dev. & Int. Trade OM No. 3(1) | 69-NIDC (IC) dated 8-12-70]

### **Comments of the Committee**

Please see paras 20 to 22 of Chapter I of the Report.

### **Recommendation (Serial No. 10)**

The Committee are of the opinion that the working of the Mill was not satisfactory at the time of granting the loan. Also that the

company did not have sufficient working capital at the time of sanction of the loan or after the grant of the loan. The Committee, therefore, deprecate the practice of granting loans without examining the soundness of the borrowing company. They would also suggest to the Government to take quick decision regarding the Corporation's recommendation that the company which is under the management of the Authorised Controller should be taken over by the National Textile Corporation. (Paragraph 3.21).

### **Reply of Government**

The working of the mills was not satisfactory at the time of sanction of loan. The Cotton Textile Loans Advisory Committee of the Corporation, however, observed that the company were in urgent need of rehabilitation and the entire scheme of modernisation and rehabilitation as recommended by the Survey Party of the Textile Commissioner's office should be implemented for ensuring economic working of the mills. A special condition was stipulated that the company should convert Rs. 11.50 lakhs of loan obtained by them from their Directors into share capital and the remaining amounts of loan of Rs. 11.50 lakhs from the Directors and from the concerns in which their Directors were interested might be repaid by the company with the prior permission of the Corporation after half of the amount of the loan from the Corporation had been repaid. The recommendation of the Committee was accepted, by the Corporation. The Company had increased their share capital by Rs. 11.50 lakhs before executing the mortgage deed in favour of the Corporation.

The Corporation's recommendation that the mill company be taken over by the National Textile Corporation is being examined by Government.

[Min. of Ind. Dev. & Int. Trade O.M. No. 3(1)/69-NIDC(IC) dated  
8-12-970]

### **Further information called for by the Committee**

Please indicate the latest position in regard to the taking over of M/s. Hira Mills Ltd., by the National Textile Corporation Limited.

[Lok Sabha Secretariat OM No. 24-PU/70 dt. 23-2-1972]

### **Further reply of Government**

The Corporation had recommended to the Government that the Mills might be taken over by the National Textile Corporation. The Corporation has been informed that the long term future of the

company under the Cotton Textile Companies Act is under examination with the State Government. The Company has been declared as a "Relief Undertaking" by the Madhya Pradesh Government.

In view of the above, it has now been decided to reconstruct the Mills under the Cotton Textile Companies (Management of Undertakings and Liquidation) Act, 1967 and the Authorised Controller of the Mills has been asked to submit a detailed scheme. He is being reminded to expedite the matter.

[Min. of Ind. Dev. & Int. Trade OM. No. 3(1)/69-NIDC(IC) dated 29-4-1971].

The scheme submitted by the Authorised Controller of the Mills is under active consideration of the Ministry of Foreign Trade. The same will be submitted to the Lok Sabha Secretariat as soon as a decision has been taken on it by that Ministry who are being reminded constantly.

[Ministry of Industrial Development O.M. No. 41|28|72-TD-dt. 15-6-1972].

### **Comments of the Committee**

Please see paras 23 to 25 of Chapter I of the Report.

#### **(Recommendation (Serial No. 12))**

The Committee are surprised to note that in spite of the Jute Loan Advisory Committee's opposition to recommend the granting of the first loan, the Corporation deemed it fit to grant this loan. Further, knowing that the loanee had continued to incur heavy losses, a second loan was granted to the company. As the loanee company did not pay the dues of the Corporation and committed default in terms of mortgage deed, the Corporation had become entitled to exercise the powers given to it under the mortgage deed either to sell the property or to concur in selling the property or to appoint a receiver. Regardless of continuous default by the loanee company no action was taken by the Corporation to sell the property or to appoint a receiver. Also the reasons as to why the sale of the property by the Court was not contested by the Corporation is not known. The Committee are of the view that the Corporation had committed a great blunder by agreeing to the sale of the mortgaged properties by the Court and ignoring to take the possessions of the mills, with the consequence that the expenditure incurred on litigation became unavoidable and the realisation of the dues of the Corporation became far from assured. (Paragraph 3.34).

### Reply of Government

As far as grant of the first loan to the company is concerned though the Jute Loan Advisory Committee had declined to recommend the grant of the loan to the company, the Committee invited attention to the special nature of the case, i.e., displacement of a larger number of workers in a difficult area consequent on the closing of the Mills which was otherwise threatened. The Committee had also added that if it was the intention of the N.I.D.C. and the Government to grant loan to the Company in view of the special nature of the case they might do so. The Board of Directors of the Corporation took into account the special factors of the case and decided to sanction the loan to the company.

While it is true that the Company incurred heavy losses after the grant of the first loan it was felt at the time of the sanction of the second loan that the implementation of the second phase of the company's rehabilitation scheme for which the second loan had been applied for by the company was essential in order to enable the company to derive full benefits of even the first phase of their rehabilitation scheme. It was, therefore, decided to sanction the second loan to the company.

As to the question that regardless of continued defaults by the loanee company no action was taken by the Corporation to sell the property or to appoint a Receiver of the mills it may be noted that the Corporation had concurred to the sale of the mills property that had been attached for non-payment of dues such as sales-tax, provident fund, etc., on the condition that the sale would be subject to the prior charge of the Corporation and the payment of its dues should be made in the first instance out of the sale proceeds. The Corporation was advised by its Advocate in this connection that by its agreeing to the sale of the Company's properties no harm would accrue to the Corporation and its rights would remain unaffected. The Additional Collector (RA), Kanpur in his orders stated that "the properties attached could be sold but the claims of the National Industrial Development Corporation will have priority which would get effect in order of receipt of recovery certificates of the respective dues by the Collector from Departments concerned". As this fully assured payment of the Corporation's dues out of the sale proceeds, the need for the Corporation contesting the sale did not arise. It was only subsequently that the Commissioner, Allahabad Division, Allahabad, while confirming the sale held that the Government dues will have priority over the dues of the Corporation out of the sale proceeds but the sale was subject to the charge of the Corporation. The Corporation had, therefore,

to file a writ petition in the High Court against the decision of the Commissioner. The writ petition was dismissed by the High Court and now a special appeal has been filed in the High Court at Allahabad by the Corporation against dismissal of its writ petition. An application has also been moved by the Corporation for appointment of a Receiver of the Mills.

[Ministry of Industrial Development and Internal Trade OM No. 3(1)|69-NIDC(IC) dated 8-12-1970.]

**Supplementary information required on recommendation No. 12**

Please intimate the Allahabad High Court decision on the special appeal filed by the Corporation against dismissal of its writ petition and also on the application moved for appointment of a receiver of mills. The action taken or proposed to be taken thereon by the Government may also be intimated to this Secretariat.

[Lok Sabha Secretariat OM. No. 24-PU/70, dated 15-11-1971.]

**Reply of Government**

No decision has yet been taken on the special appeal filed by the Corporation in the Allahabad High Court. As regards application for appointment of a Receiver of the mills which is pending before the Second Civil Judge, Kanpur. Further proceedings in the case are at present stayed in view of the orders passed by the Allahabad High Court on the application of M/s. Jaipur Udyog Ltd., that Receiver shall not take over charge of the mills properties. Action has been taken by the Corporation for filing an application in the High Court for either vacating the stay order or for issue of directions to the Civil Judge for expediting the disposal of the case.

[Ministry of Industrial Development OM. No. 3(1)-69-NIDC/TD dated 5-1-1972].

The special appeal has not yet been disposed of by the Allahabad High Court. Its hearing is fixed for 21st August, 1972.

[Ministry of Industrial Development O.M. 41/28/72-TD dated 15-6-72.]

**Comments of the Committee**

Please see paras 26 to 29 of Chapter I of the Report.

**Recommendation (Serial No. 13)**

The Estimates Committee in their 122nd Report (Para 16) on the working of the NIDC had recommended that an important project

like the Technological Consultancy Bureau should not have been launched without a comprehensive project report on the various aspects and suggested that the project report may be published before its adoption. In the absence of a specific reaction of the Government to this suggestion, the Committee reiterate their recommendation in their 20th Action Taken Report (3rd Lok Sabha). Having gone through the merit of the working of the NIDC, the Committee are convinced that such a project as the TCB should not have been launched without a proper project report. The Committee highly deprecate the tendency on the part of the Government to flout the recommendation contained in the 122nd Report (1960-61) of Estimates Committee and further reiterated in their 20th Action Taken Report (1962-63) and are compelled to reiterate it for the third time. (Paragraph 4.3).

### Reply of Government

The Committee have pointed out that such a project as the TCB should not have been launched without proper project report and that by creating such a project the recommendations contained in the 122nd Report (para 16) of the Estimates Committee on the working of the NIDC—1960-61, which was reiterated in that Committee's 20th Action Taken Report (1962-63), had been flouted.

The Government in their reply to the recommendation contained in the 122nd Report (1960-61) had stated that the NIDC Board had considered this matter at great length in consultation with industrialist members of the Board and technical Directors. It was considered that the setting up of such a Bureau would fill the gap in regard to consultancy arrangements in the country and may ultimately lead to training of manpower to undertake consultancy and design work and considerable saving in foreign exchange when the recommendation was reiterated by the Estimates Committee in their 20th 'Action Taken Report' 1962-63, no further reply was sent to the Committee in view of the instructions contained in the Lok Sabha Secretariat O.M. No. 5-EC.II/59 dated the 1st April, 1959 which envisage that once a reply has been sent to the Committee, further reply is not necessary unless the House itself or individual members press for particular recommendation made by the Committee or unless specifically desired by the Committee in respect of any particular recommendation.

However, since the Committee have been pleased to reiterate the earlier recommendation of the Estimates Committee, Government have decided to have a further expert examination undertaken of the

working of the TCB and to advise on the lines on which further development of this essential service can follow in the future.

[Ministry of Industrial Development and Internal Trade OM No. 3(1)/69-NIDC(IC), dated 8-12-70]

### **Further information called for by the Committee**

Please let us know the result of the expert examination undertaken of the working of the Technological Consultancy Bureau as to the lines on which further development of this essential service could follow in future. Five copies of the Report of the expert body together with Government decisions thereon may also be furnished.

[Lok Sabha Sectt. O.M. No. 24-PU/70, dated 23-2-1971.]

### **Further Reply of Government**

Shri G. Pande, former Chairman of the Railway Board has been requested to take up the work. Instructions have already been issued to the Corporation to provide all facilities to Shri Pande in preparing the report.

[Ministry of Industrial Development and Internal Trade O.M. No. 3(1)|69-NIDC(IC) dated 29-4-1971].

### **Supplementary information required on recommendation No. 13**

The time limit for submission of the Report on the working of the TCB by Shri G. Pande, former Chairman of the Railway Board may please be indicated. Five copies of the Report when submitted together with Government decision thereon may also be furnished.

[Lok Sabha Secretariat O.M. No. 24-PU/70, dated 15-11-1971.]

### **Reply of Government**

Shri G. Pande is still carrying out the study and his report may be expected by January, 1972.

[Ministry of Industrial Development and Internal Trade O.M. No. 3(1)|69-NIDC(IC) dated 29-4-1971].

Shri Pande has sent only two copies of the Report. He is being asked to send a few more copies. Five copies of the report along with Government's decision thereon will be submitted to Lok Sabha Secretariat as soon as more copies are received from Shri Pande.

[Ministry of Industrial Development O.M. No. 41/28/72-TD, dated 15-6-1972.]

### Comments of the Committee

Please see paras 30 to 32 of Chapter I of the Report.

#### Recommendation (Serial No. 14)

From the statements of N.I.D.C. officers deputed abroad on a certain assignment, it is observed that for the Evaluation, Scrutiny, Technical Appraisal of Preliminary Project Report, the N.I.D.C. engineers did not visit the actual site. The Committee are surprised that for a detailed report about project, the N.I.D.C. engineers could submit a report without visiting the actual site. (Paragraph 4.16).

#### Reply of Government

The Officers were mainly concerned with the evaluation/technical appraisals of the Reports in question and not with the preparation of these Reports for the establishment of the Projects. Site inspection in such cases is generally not necessary as the necessary data and information in this respect that may be required for evaluation of a Report is usually contained in the Project Report itself. In the Reports in question, relevant data was made available to the officers concerned and, therefore, the need for their paying visits to the sites did not arise. It may be added here that visits to sites are essential, if a Project Report itself has to be prepared or a Plant already in existence has to be evaluated and in such cases, the officers of the Corporation make on-the-spot visits before preparation of such Reports.

[Ministry of Industrial Development and Internal Trade O.M. No. 3(1)/69-NIDC(IC), dated 8-12-1970]

### Comments of the Committee

Please see paras. 33 to 35 of Chapter I of the Report.

#### Recommendation (Serial No. 20)

The annual Reports of the Corporation show a profit of Rs. 6.11 lakhs in 1966-67, Rs. 0.71 lakhs in 1967-68 and Rs. 11.18 in 1968-69. As on 31st March, 1969, a sum of Rs. 51.56 lakhs was outstanding against 11 mills on account of repayment of principal and another sum of Rs. 30.34 lakhs on account of repayment of interest. Out of the 11 mills, three mills have closed down.

The procedure of recovery from the remaining loanees being far from satisfactory, large bad debts may become inevitable. Moreover, a sum of Rs. 12.71 lakhs is outstanding against various parties for the



services rendered by the T.C.B. from time to time. The Committee, therefore, are of the opinion that the figures of profits earned by the Corporation are being over-shadowed by the heavy debts of the corporation. The overall picture of the financial soundness of the Corporation is illusory. If the bad and doubtful debts are taken into account, the Corporation's claim to be a profit making undertaking is doubtful. The Committee recommended that the Government should take immediate legal action to recover the outstanding dues.  
(Paragraph 5.16)

### **Reply of Government**

As far as loans advanced by the Corporation are concerned, the Corporation has been only acting as an agency of the Government for the grant of these loans and the amounts are credited to Government as and when these are recovered from borrower companies. None of these loans has so far been considered bad or doubtful.

In regard to the amounts outstanding against various parties for the services rendered by the T.C.B. from time to time, it may be mentioned that only an amount of Rs. 44,126.56 is in dispute and for this, due provision has been made in the Profit and Loss Account for the year ended 31st March, 1970. As far as remaining amount is concerned, it is not considered doubtful of recovery.

Having regard to the position explained above, it is considered that the accounts of the Corporation give a true and fair picture of its financial position.

[Ministry of Industrial Development and Internal Trade O.M. No. 3(1)/69-NIDC (IC), dated 8-12-1970]

### **Comments of the Committee**

Please see paras 36 to 39 of Chapter I of the Report.

### **Recommendation (Serial No. 24)**

The Committee are of the opinion that the vesting extraordinary powers including the residuary powers in the Managing Director, the Board of Directors and Government have shown utter indifference in the management of the affairs of the Corporation. The Committee have formed the impression that the delegation of residuary powers to the Managing Directors have resulted in violation of the provisions of the Companies Act. Thus, the very idea of having a public control has been defeated. The Committee feel that if this tendency is permitted to continue it would develop a dangerous concept in public

sector undertakings and deprive the Parliament of its control. The Committee recommend that the Government should examine whether by delegating residuary powers to the Management Director, the Board of Directors have flouted any of the provisions of the Companies Act. (Paragraph 6.17)

### **Reply of Government**

The Board of Directors have to exercise overall control of the working of a Company. As such, in this case also, the Board of Directors reserved for themselves 19 specific powers which cover all matters of policy and budgetary control. The residual powers delegated to the Managing Director are, thus, in fact, only such powers as are necessary for the Chief Executive to discharge his functions. This matter is, however, under further examination.

[Ministry of Industrial Development and Internal Trade O.M. No. 3(1)/69-NIDC(IC), dated 8-12-70]

### **Further information called for by the Committee**

Please state as to what has been the outcome of their examination of the question whether by delegating residuary powers to the Managing Director, the Board of Directors has flouted any provisions of the Companies Act.

[Lok Sabha Sectt. O.M. No. 24-PU/70, dated 23-2-1971]

### **Further reply of Government**

It has already been intimated that the Board of Directors exercise overall control over the working of the Corporation and have reserved for themselves 19 specific powers which cover matters of policy and budgetary control.

However, the matter has been taken up with the Department of Company Affairs to find out whether there is violation of any provisions of the Companies Act.

[Ministry of Industrial Development and Internal Trade O.M. No. 3(1)/69-NIDC(IC), 29-4-1971]

### Further information furnished by the Government

Department of Company Affairs *vide* their D.O. No. 15/13/71 IGC dated 1st May, 1972 addressed to Ministry of Industrial Development have stated as under:—

“It has been observed in this connection that Articles 69 and 72 of the Articles of Association of the Company are relevant. These Articles seem to make it clear that all the powers of management vest in the Board of Directors as a whole and it is for the President to clothe the Managing Director with any of those powers. Hence the resolution of the Board of Directors passed on 28th October, 1968 does not strictly appear competent.

It is, therefore, requested that the Ministry of Industrial Development may give further thought to the matter and take appropriate action in the light of the above suggestions.”

[Ministry of Industrial Development and Internal Trade O.M. No. 3 (1)/69-NIDC (TD), dated 8-6-1970]

#### Comments of the Committee

Please see paras 40 to 43 of Chapter I of the Report.

#### Recommendation (Serial No. 31)

Unlike a factory employing a large number of workers, the NIDC is a promotional-cum-technical organisation advancing loan to certain industries and rendering technical advice to entrepreneurs/or industries. Consequently, the Committee feel that the installation of time recording clocks in the Corporation can hardly be justified. The Committee is of the opinion that the expenditure of Rs. 11,340 incurred on purchase of these time recording clocks was not necessary and has proved to be infructuous.

(Paragraph 7.7)

#### Reply of Government

The Time Clocks had been installed to facilitate recording of attending of individual employees. The procedure—which is prevalent in modern organisations—simplifies recording of attendance.

[Ministry of Industrial Development and Internal Trade O.M. No. 3 (1)/69-NIDC (IC), dated 8-12-1970]

#### Comments of the Committee

Please see paras 44 to 46 of Chapter I of the Report.

### Recommendation (Serial No. 32)

The Committee are concerned to find that the Corporation is paying Rs. 4.5 lakhs per annum as rent for the premises they are occupying. They are not convinced with the arguments advanced by the Corporation in favour of hiring such a costly accommodation. The Corporation's business regarding granting of loans has practically ceased and is mainly engaged in rendering consultancy services. The Committee, therefore, feel that hiring of such a costly accommodation was not justified. (Paragraph 7.13)

### Reply of Government

In the absence of its own premises where additional accommodation could be built according to needs, the Corporation had to find suitable rented accommodation not only for its immediate needs to bring its scattered offices together but also to ensure provision of adequate floor space for future development within the same premises to ensure efficient operation.

As against the present rental of Rs. 4.5 lakhs per annum for a usable area of 34,750 sq. ft., the Corporation was previously paying a rental of Rs. 3,64,140 per annum for an area of 20,693 sq. ft. In actual fact, therefore, the present premises have been hired on a cheaper rate than the previous accommodation.

An interim measure the Corporation has sub-let a portion of its premises comprising 2112.4 sq. ft. on an annual licence fee of Rs. 31,260 to another public sector undertaking.

[Ministry of Industrial Development and Internal Trade O.M. No. 3 (1)/69-NIDC (IC), dated 8-12-1970]

### Comments of the Committee

Please see paras 47 to 49 of Chapter I of the Report.

### Recommendation (Serial No. 34)

The NIDC installed telephones at the residences of 8 officers under the OYT scheme @Rs. 2,000 per telephone plus cost of installation on the authority of the Managing Director. Under the Financial and Accounting Manual of the Corporation, the installation of telephones required the sanction of the Executive Committee and the Board of Directors. The Committee feel that by defying the instructions contained in the Financial and Accounting Manual of the Corporation the

Managing Director has acted without showing a sense of responsibility. The Committee suggest that the Government should take a serious view of such lapses on the part of the Managing Director. The Committee recommend that the Government should probe into the affair of the installation of the telephones without the approval of the Board of Directors and if necessary effect the recovery of the cost involved in this unauthorised expenditure. (Paragraph 7.27) ]

### **Reply of Government**

This is matter within the competence of the Board of Directors of the Corporation who have considered the position and have ratified the sanction at their meeting on 2-2-1970.

[Min. of Ind. & Int. Trade O.M. No. 3(1)|69—NIDC (IC) dated 8-12-1970]

### **Comments of the Committee**

Please see paras 50 to 52 of Chapter I of the Report.

### **Recommendation (Serial No. 35)**

The Committee feel that adequate number of consultancy agencies have been brought into existence both in the public and private sectors representing different fields, of technological activities. Even as consultants, NIDC's role was hardly appreciable to justify an independent existence. Facts contained in the body of this Report confirm this conclusion. (Paragraph 8.6)

### **Reply of Government**

While it is true that a number of consultancy agencies have come into existence in the country, Government are of the view that the total available capacities in this highly specialised field—including those of NIDC—are far short of the rapidly expending national needs. This has also been the finding of the Committee on Technical Consultancy Services set up by the Planning Commission in its Report of September, 1970.

The NIDC has, through sustained and wholly indigenous efforts over the years, developed itself into a composite Consultant Engineering Organisation. It has already undertaken during the past 5 years the detailed designing and engineering of a number of major projects. Currently it is engaged in the designing, engineering and construction and management of some of the major industrial pro-

jects under implementation. These include the Aluminium Plants, Iron Ore Dressing and Handling Projects, the Pumps and Compressors Project and the Gas Cylinder Project. The total investment relating to these few projects alone adds up to over Rs. 250 crores. Additionally, and of great significance, is the fact that the Corporation's capabilities as a Consultant Engineering Organisation have, in the last few years, been recognised by agencies of the United Nations which have assigned important tasks to it, as also by foreign Governments and entrepreneurs who are utilising its services in increasing measures. This effort by the NIDC, apart from enabling it to earn foreign exchange, has also helped in large measure to project in developing countries the capabilities of Indian Engineering talent.

Government are, therefore, of the view that any curtailment in the Consultancy activities of the NIDC would not be in the interest of industrial growth. In fact, Government intend to extend the scope of the Corporation's Consultancy activities so as to ensure even greater benefits being derived therefrom. Some of the activities intended to be assigned would include :

- (i) A systematic and continuous appraisal of various growth points and indicators for the purpose of identifying likely production and technological gaps to various industrial sectors so as to provide Government with necessary data for plan forecasting, identification of specific projects and investments, regional growth allocations, etc.
- (ii) Industrial entrepreneurial guidance services particularly to the new class of entrepreneurs, as also services for the development of modern management techniques in industrial plants.
- (iii) Industrial Data Centre.

[Min. of Ind. Dev. & Int. Trade O.M. No. 3(1)|69-NIDC(IC) dated 8-12-1970]

### **Comments of the Committee**

Please see paras 1 to 7 of Chapter I of the Report.

### **Recommendation (Serial No. 36)**

In view of the fact that the Corporation is not specialising in any rare field of technological activity and its functions having been confined to a very limited field, the Committee reiterate the recommendation of the Estimates Committee contained in their 122nd Report (1960-61) and recommend that Government should consider

the desirability of allowing this Corporation to exist with such a limited sphere of work (Paragraph 8.7)

### Reply of Government

The Corporation has developed the necessary expertise for rendering Consultant Engineering Services to Engineering Industries as also in the field of Aluminium production. These services include: detailed design and engineering the necessary expertise in the varied and complex disciplines involved in the preparation of Detailed Project Reports, working Drawings, specifications, etc. of any type of project. Having regard to the fact that the effort involved in detailed engineering of a Project is a preponderant proportion of the total effort of Consultancy Services, specialisation of the Corporation in these fields is a highly significant matter.

Apart from the essential services for the design and engineering of Engineering Industries, Aluminium Projects, etc., the Corporation has been spear-heading the efforts for the export of Consultancy Services to sister developing countries.

The Corporation has also entered the field of Management Consultancy and also now renders services relating to Construction Management. It has thus developed into composite Consultant Engineering Organisation and Government consider its continuance as an independent entity as an essential element of the efforts to accelerate industrial growth. In this connection, Government would invite the Committee's attention to para 1.39 of the 104th Report of the Public Accounts Committee of Parliament which is reproduced below:

"This experience of huge infructuous expenditure in these cases indicates the need for developing consultancy expertise in this country early. The Committee note that in about a couple of years' time Government are themselves hopeful that these can be built up for 'some of the projects' which are undertaken. In the Committee's view this is indicative of a very limited approach to the problem. The aim should be to develop consultancy services not just for 'some of the projects' but in all major fields, and Government should take purposeful efforts in the direction. Consultancy services are already available in the country in certain fields and it should not be difficult for Government with sustained efforts, to strengthen and enlarge the scope of these services."

The growth and development of N.I.D.C. has been and continues to be only a small part of the objectives outlined by the Public Accounts Committee above. Government intend to foster the growth and enlargement of such Organisation and to strengthen the scope of their services.

[Min. of Ind. Dev. & Int. Trade OM No. 3(1)/69-NIDC (IC), dated 8-12-72]

#### **Comments of the Committee**

Please see paras 1 to 7 of Chapter I of the Report.



**CHAPTER V**

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

NIL

NEW DELHI;

August 29, 1972

Bhadra 7, 1894

SUBHADRA JOSHI

Chairman,

Committee on Public Undertakings.

## APPENDIX I

(Vide reply to recommendation at Sl. No. 15—Para 4.7)

### THE NATIONAL INDUSTRIAL DEVELOPMENT CORPORATION LIMITED, NEW DELHI

*Assignments undertaken during the year 1966-67*

S. No.	Client	Project	Nature of work
1	Ministry of Industries	Tractor Project	Collection of initial projecting data.
2	U.P. State Industrial Development Corporation	Universal Tyres	Scrutiny of Report
3	Government of Uttar Pradesh	Fame & Explosion proof Electrical Fittings	Preliminary Project Report
4	Do.	Special Purpose Machine Tools	Do.
5	Do.	Automotive Ancillaries	Do.
6	Do.	Non-ferrous Sections	Do.
7	Do.	Press Plant	Do.
8	Do.	I.U.C.D., Kanpur	Do.
9	Ministry of Industry	Refined Salt	Do.
10	Instrumentation Ltd., Kota	Township Design	Detailed Engineering
11	Instrumentation Ltd., Kota	Process Instruments mfg. Plant at Kota.	Detailed Engineering.
12	Ministry of Finance (Narcotics Commission, Gwalior)	Alkaloids	Do.
13	Ministry of Industry	Grinding Machine Tools Plant, Ajmer	Detailed Engineering
14	Hindustan Organic Chemicals.	Intermediate Plant, Panval	Do.
15	Bharat Heavy Plate & Vessels Ltd.	Plate & Vessels Plant Visakhapatnam	Do.
16	Ministry of Steel & Mines (Deptt. of Mines and Metals)	Korba Alumina Project	D.P.R. for Alumina Plant, Korba.

1	2	3	4
17	Assam Major Industries Enterprises Corp n.	Automobile Ancillaries	Preliminary Project Report.
18	Assam Major Industries Enterprises Corp n.	Flame & Explosion Proof Electrical Fittings	Do.
19	Bihar Mica Syndicate	Mica Wet Grinding	Do.
20	Director of Industries, U.P.	Electronic Components	Do.
21	*Ministry of Industry	Textile Machinery	Survey of Demands.
22	Do.	Cranes & Hoists	Do.
23	State Industrial & Investment Corporation of Maharashtra Ltd.	Akola, Marathwada & Aurangabad	Site Studies for Industrialisation.
24	M/s. Kothari Plantation & Industries Ltd. New Delhi	Industrial Explosives	Survey of Demands
25	Ministry of Industry	Printing Machinery	Do.
26	Planning Commission	Indigenous Capacity for Heavy Engg. Equipment Manufacture in India	Do.
27	Government of Manipur	Cement Plant	Preliminary Project Report.
28	William Jacks, London	Machine Tools Accessories	Do.
29	Director of Industries, U.P.	Electronic Components	Do.
30	Govt. of Himachal Pradesh	Resin & Turpentine Factory, Bilaspur	Detailed Engineering
31	United Nations, New York	Industrial Programme	Industrial Survey of 132 Engg. Establishment in India
32	Ministry of Industry	Pumps & Compressors	Scrutiny of D.P.R.
33	Allied International Products	Purchase of Machinery from M/s. Durga Steel Ltd., Faridabad.	Assessment of cost of machinery.

## THE NATIONAL INDUSTRIAL DEVELOPMENT CORPORATION LIMITED

Assignments Undertaken during the Year 1967-68.

No.	Client	Project	Nature of work
1	Maharashtra Minerals Corporation, Bombay	Shriwardhan Bauxite Mines	Data collection and locational studies
2	C.I.M.M. Co. Gwalior	Diversification of the Production line in the existing Textile Mfg. Machinery Plants.	Technical Appraisal of Scheme
3	Director of Industries, Punjab.	Tractor Manufacturing Plant	Scrutiny of Feasibility Study Report.
4	S. I. & I. C. Maharashtra	Vidarbha Paper Mills	Technical Appraisal of Scheme
5	Madhya Pradesh Finance Corporation Ltd., Indore	Plant for Galvanising of High Carbon Steel Wires	Do.
6	Superintending Engineer, Defence Project Circle, Nagpur	Structural design for repair shop	Scrutiny of Designs
7	M/s. Lucknow Milk Supply Scheme	Nuraug Dairy, Lucknow	Technical Appraisal and assessment of cost of plant & equipment
8	Ministry of Industry	Precision tools factory, J & K.	Preliminary Project Report
9	Director of Industries, Gujarat	Automobile Ancillaries	Do.
10	Punjab State Industrial Development Corporation, Chandigarh	Tractor Project	Do.
11	Ministry of Industry	Pumps & Compressors	Scrutiny of Detailed Project Report
12	Ministry of ID & CA	Tractor Project, Ramnagar	Scrutiny of Detailed Project Report
13	Ministry of Industry	Grinding Machine Tools Plant, Ajmer	Detailed Engineering
14	Indian Turpentine & Resin Factory, Bareilly.	Modification of distillation Plant	Tracing the operational difficulties
15	Maharashtra Industrial Development Corpn. Bombay	Soda Ash Ammonium Chloride Plant in Co-operative Sector	Site Selection
16	Govt. of Jammu & Kashmir	Plywood Factory, Srinagar	Study Report on Rehabilitation
17	United Nations, New York	Power Equipment Plant, Iran	Scrutiny of Report

1	2	3	4
18	United Nations, New York	Mettalurgical & Engineer- ing Plant, Tabriz	Scrutiny of Report
19	Ministry of Economy, Govt. of Iran	Tractors Plant, Tabriz	Do.
20	Do.	Machine Building Plant, Arak	Do.
21	U. P. Financial Corp. Kan- pur	J. K. Jute Mills, Kanpur	Appraisal of Scheme for Expansion Programme
22	General Industrial Society, New Delhi.	Aluminium Foil Fibre Re- inforced Cans	Preliminary Project Report
23	Director of Industries Go- vernment of Kerala	Electronic Components	Preliminary Project Re- port
24	Government of Himachal Pradesh	Ropeway at Simla	Do.
25	I.D.R.O. (Iran)	Development of Consulting Engineer's facilities in Iran	General Consulting Ser- vices
26	Bharat Fritz Werner (P), Ltd.	Electronic Components	Preliminary Project Report.
27	Director of Industries & Commerce J & K	Chip Board/Hard Board Plant in J & K.	Do.
28	Government of J & K	Plywood Factory, Srinagar	Study Report
29	U. P. Financial Corpn. Kan- pur	J. & K. Jute Mills, Kanpur	Scrutiny Report
30	Bharat Aluminium Company	Kroba Aluminium Plant	Detailed Engineering

**THE NATIONAL INDUSTRIAL DEVELOPMENT CORPORATON LIMITED**

*Assignment Undertaken During 1968-69*

Sl. No.	Project	Client	Assignments
1	Manufacture of. (A) Fire Bricks (B) Valves (C) Hand Tools (D) Cutting Tools (E) Springs (F) Dimensional Gauges	I. D. R. O. Iran	Data collection and loca- tion Study
2	Wagon Plant	Do.	Collection of data and Pre- paration of Basic Calcula- tion

1	2	3	4
3	Intermediate and Secondary Engineering Products	Ministry of IDIT & CA	Report on the Working Group
4	Plywood Factory, Srinagar	Government of J & K	Study Report
5	Ceramics Plant, Kathua	Govt. of J & K	Scrutiny of Report
6	Vanaspati Plant	U. P. Financial Corporation	Do.
7	Drillmac Ltd.	U. P. State Industrial Corporation	Do.
8	Gas Cylinders	Ministry of ID & CA.	Preliminary Project Report
9	Industrial Complex based on deposits of rocks and minerals in NEFA	N.E.F.A. Secretariat, Shillong.	Do.
10	Ashoka Paper Mills	Govt. of Bihar	Do.
11	Plastic Containers	Government of J & K	Do.
12	IOT/day Paper Plant	Do.	Do.
13	Mill Board/Grey Board Plant, Kenya	Agfricindo Industrial Development Corpn., Nairobi	Do.
14	Survey of Hilly Regions of U. P.	Director of Industries, U. P.	Do.
15	Particle Board Acolate Rayon Caustic Soda	Govt. of Bihar {	Feasibility Study Reports
16	Pumps & Compressors Plant	Bharat Pumps & Compressors Ltd.	Detailed Engineers. }
17	Bharat Heavy Plates & Vessels Project	Bharat Heavy Plates & Vessels Ltd., Vishakhapatnam	Do.
18	Marine Diesel Engine Plant	Garden Reach Workshop, Calcutta	Do.
19	20 H. P. Tractor Project	Ministry of ID & CA	Detailed Project Report
20	Nahan Foundry	Nahan Foundry Ltd., Nahan	T. E. Report, Detailed Engineering
21	Korba Aluminium Smelter Plant	Bharat Aluminium Co. Ltd., New Delhi	Detailed Project Report
22	Antibiotics Plant	Indian Drugs & Pharmaceuticals Ltd.	Detailed Project Engg. Report
23	Alkaloids Project, Neemuch	Ministry of Finance (Narcotics Commissioner), Gwalior	Detailed Engineering

1	2	3	4
24	GMTP Township	Machine Tool Corp. of India, Ajmer	Detailed Designs for Township
25	Ropeway at Simla	Govt. of Himachal Pradesh	Project Report
26	Korba Alumina Plant	Bharat Aluminium Co. Ltd., New Delhi	Detailed Engineering
27	Rosin and Turpentine Factory, Bilaspur.	Govt. of Himachal Pradesh	Do.
28	Intermediate Plant, Panval	Hindustan Organic Chemicals Ltd.	Do.
29	Southern Yemen	Ministry of External Affairs, New Delhi	Techno-economic Survey for Industrial Planning
30	Gorakhpur Township	Fertilizer Corpn. of India, Gorakhpur	Detailed Civil Engineering
31	Industrial Estate, Tabriz	I. D. R. O.	General layout & Sketch Designs of Factory Building
32	Air Conditioning Plant	Do.	Equipment requirements for assembly and production
33	Arak Product Designs	Do.	Fabrication Design

THE NATIONAL INDUSTRIAL DEVELOPMENT CORPORATION LIMITED,  
NEW DELHI

*Assignments Undertaken during 1969-70*

Sl. No.	Client	Project	Assignment
1	Technology, Iran	Development of Bandar Abbas Area.	Scrutiny of Report
2	Ministry of Petro-chemicals, Mines & Metals	Gujarat Aluminium Project	Project Report
3	Hindustan Insecticides Ltd., New Delhi.	D. D. T. Plant	Do.
4	Arak Machine Building Plant Project, Iran	Arak Machine Building Plant	Diversification of production
5	N. P. L., New Delhi	Electronic components	Preliminary Project Report
6	Indian Metallurgical Industries Ltd., New Delhi	Forge Plant at Ballabgarh	Do.

1	2	3	4	
7	Ministry of Defence /	Dead Axle Forging for Shaktiman Vehicles Diversification of production	Preliminary Report	Project
8	M. A. M. C., Durgapur	Diversification of production	Diversification of production	
9	Indian Drugs & Pharmaceuticals Ltd.	Antibiotics Project, Rishikesh	Detailed Engineering	
10	Naval Headquarters, New Delhi	Modernisation of Training facilities at I.N.S. Shivaji	Do.	
11	N.M.D.C., New Delhi.	Bailadilla Deposit No. 5	Detailed Engineering, Construction and erection supervision of Trial Runs	
12	Director of Industries, J & K	Heated Worksheds for Cottage Industries	Preliminary Project Report	Report
13	Machine Tools Corpn. of India Ltd., Ajmer	G.M.T.P. Township	Do.	
14	Garden Reach Workshop, Calcutta	Marine Diesel Engine Plant	Detailed Engineering	
15	Hindustan Organic Chemicals Ltd.	Intermediate Plant at Panvel	Detailed Engineering	
16	Africindo Industrial Development Corpn., Nairobi	Grey Board Plant	Project Report	
17	Bharat Aluminium Co.	Korba Alumina Plant	Detailed Engineering	
18	Machine Tool Corpn. of India	G.M.T.P. Township	Do.	
19	Bharat Pumps & Compressors Ltd.	Pumps & Compressors Plant	Do.	
20	Nahan Foundry Ltd., Nahan	Modernisation of Nahan Foundry	Project Report	
21	Government of Bihar	Caustic Soda, Acetate Rayon and Particle Board Plants	Feasibility Reports	
22	Bharat Aluminium Co. Ltd.	Korba Aluminium Smelter Plant	Detailed Project Report	
23	Bharat Aluminium Co. Ltd.	Koyna Aluminium Plant	Detailed Project Report	
24	Director of Industries U.P.	U.P. Mill Region	Techno-economic Survey for Industrial Planning	
25	NEFA Secretariat, Shillong	Industrial Complex based on deposits of Rocks and Minerals in NEFA	Preliminary Report	Project



APPENDIX II

(Vide reply to recommendation at Sl. No. 28—Para 6.34)

THE NATIONAL INDUSTRIAL DEVELOPMENT CORPORATION LIMITED

List of high posts (posts in the scale of pay of Rs. 1100—1800 and above) filled without advertisement Categorywise during the last three years (1969-70, 1970-71 and 1971-72)

Mode of Recruitment

Category of post	Total No. of Posts filled without advertisement	No. filled by Deptt. promotion	No. filled by deputation	No. filled from other sources	Remarks
Senior Engineer (Rs. 1100—1800)	1	1969-70	1	0	The post was filled on deputation from NMDC—A Government of India Undertaking.
Chief (Rs. 1600—2250)	2	1970-71	2	0	The posts were filled on deputation from Indian Railways.
Senior Engineer (Rs. 1100—1800)	18	15	3	0	The posts on deputation were filled as under:— 1 from Indian Standards Institution 1 from the Indian Army 1 from the Indian Railways.
Consultant [Rs. 2500/- (Fixed per mensem)]	2	1971-72	1	1	The post on deputation was filled from the State Government of Andhra Pradesh.
Chief (Rs. 1600—2250)	1		1	0	The post was filled on deputation from the Indian Army.
Senior Engineer (Rs. 1100—1800)	4	4	0	0	

### APPENDIX III

(Vide reply to recommendation at Sl. No. 22—para 6·6)

## THE NATIONAL INDUSTRIAL DEVELOPMENT CORPORATION LTD.

List of Directors

1	2	3	Date of appointment 4	Date of Cessation 5
1	Shri T.T. Krishnamachari	Chairman, Minister of Commerce and Industry	21-10-54	14-11-56
2	Shri J. R. D. Tata	Industrialist	21-10-54	29-9-62
3	Shri G. D. Birla	Industrialist	21-10-54	2-4-62
4	Shri Kasturbhai Lalbhai	Mill Agent and Bankers	21-10-54	29-9-66
5	Shri S. P. Jain	Industrialist	21-10-54	29-9-62
6	Shri Dhiren N. Mitra	Industrialist	21-10-54	12-1-55
7	Dr. J. C. Ghosh	V. C. University of Calcutta	21-10-54	24-6-55
8	Prof. D. R. Gadgil	Economist	21-10-54	21-12-54
9	Shri S. Bhoothalingam Spl. Secretary, Min. of Commerce & Industry	Official	21-10-54	29-9-62
10	Shri M. K. Vellodi Secretary Min. of Defence	Official	21-10-54	13-6-57
11	Shri P. C. Bhattacharyya Financial Commissioner, Ministry of Railways	Official	21-10-54	18-3-57
12	Shri S. S. Khera, I. C. S. Secretary, Ministry of Production	Official	21-10-54	28-5-57
13	Shri K. R. P. Aiyanger Jt. Secretary, Min. of Finance	Official	21-10-54	19-8-55
14	Dr. A. Nagaraja Rao Chief Industrial Adviser (Managing Director from 20-5-57 to 1-11-59)	Official	21-10-54	29-9-61
15	Shri Shri Ram	Industrialist	21-10-54	20-12-54
16	Shri A. Ramaswami Mudaliar	Industrialist	9-8-55	24-9-68
17	Dr. B. N. Ganguli	Economist	9-8-55	9-8-56
18	Shri G. D. Ambekar	Social Worker	9-8-55	7-9-57
19	Shri L. K. Jha (Ceased to be M.D. w.e.f. 20-5-57)	Official	9-8-55	21-5-60

1	2	3	4	5
20	Shri G. K. Kotak . . .	Industrialist	22-8-55	30-9-65
21	Shri V. Narayanan . . .	Official	23-8-54	6-6-57
22	Shri B. P. Singh Roy . . .	Industrialist	26-9-55	24-11-61
23	Shri Manubhai M. Shah . . .	Vice Chairman Minister for Heavy Industries	2-6-56	29-9-61
24	Shri F. C. Badhwar . . .	Official	21-10-56	30-9-65
25	Shri Morarji Desai . . .	Chairman Minister of Commerce & Industry	14-11-56	28-3-58
26	Shri B. K. Nehru . . .	Official	18-3-57	18-8-58
27	Shri K. L. Ghai . . .	Official	8-5-57	4-5-62
28	Dr. M. S. Thacker . . .	Official	28-5-57	29-9-62
29	Shri Khandubhai K. Desai	Social & Trade Union Worker	7-9-57	15-2-58
30	Shri Lal Bahadur Shastri . . .	Chairman Minister of Commerce and Industry	28-3-58	19-4-61
31	Shri Sahdev Vohra . . .	Official	26-6-58	18-8-58
32	Shri A. K. Roy . . .	Official	18-8-58	29-6-60
33	Shri Padampat Singhania	Industrialist	18-8-58	29-9-62
34	Shri S. N. Bilgrami (Man- aging Director from 1-11-59 to 15-6-60)	Official	1-11-59	15-6-60 1-9-60 (as Director)
35	Shri K. B. Rao (M.D. upto 24-9-68 Chairman from] 24-9-68)	Official	15-6-60	24-9-68 (As M.D.)
36	Shri K. P. Mathrani . . .	Official	29-6-60	30-6-61
37	Shri K. B. Lal . . .	Official	29-9-60	16-1-62
38	Shri K. C. Reddy . . .	Chairman, Min. of Com. & Industry	19-4-61	29-9-61
38A.	Shri A. Baksi . . .	Official	19-6-61	29-9-62
39	Shri K. P. Mathrani . . . (Chairman)	Official	30-9-61	25-9-64
40	Shri D. S. Joshi . . .	Official	30-9-61	21-7-64
41	Shri T. Swaminathan . . .	Official	3-3-62	27-9-63
42	Shri A. V. Venkateswaran	Official	4-5-62	13-2-63
43	Shri Bharat Ram . . .	Industrialist	29-9-62	28-9-66
44	Shri Ramnath A. Podar . . .	Industrialist	29-9-62	25-9-64

1	2	3	4	5
45	Shri D. P. Goneka . . .	Industrialist	29-7-62	30-9-65
46	Shri N. R. M. Swamy . . .	Advocate	29-9-62	10-3-66
47	Shri H. Siddancerappa Chairman, Mysore State Khadi & Village Industries Board	Publicman	29-9-62	28-9-66
48	Shri M. R. Yardi . . .	Official ]	29-9-62	25-9-64
49	Shri N. N. Kashyap . . .	Official	29-9-62	27-9-63
50	Shri A. Zaman . . .	Official	13-2-63	22-6-63
51	Shri N. S. Pandey . . .	Official	22-6-63	12-11-64
52	Shri V. Ramakrishna . . .	Industrialist	28-9-63	24-9-68
53	Shri N. Subrahmanyam	Official	28-9-63	28-9-66
54	Shri B. G. Rau . . .	Official	21-7-64	28-9-66
55	Shri S. K. Majumdar . . .	Official	12-11-64	1-11-66
56	Shri D. C. Baijal (Chair- man)	Official	27-10-65	[27-9-67
57	Shri M. Nana Das . . .	Political & Social Worker	14-4-66	30-12-66
58	Shri B. M. Mitra . . .	Official	28-9-66	27-9-67
59	Shri A. V. Venkateswaran	Official	28-9-66	27-9-67
60	Shri R. V. Subrahmaniam	Official	28-9-66	12-6-68
61	Shri B. G. Khaktkar, Sec- retary, General Indian Cotton Textile Federation		23-12-66	24-9-68
62	Shri P. Hanumanthappa . . .	Advocate	13-1-67	24-9-68
63	Shri H. K. Kochar . . .	Official	27-9-67	13-2-69
64	Shri K. Balachandran . . .	Official	12-6-68	12-2-70
65	Shri R. K. Sethi (Manag- ing Director)	Official	24-9-68	
66	Shri R. Venkataswamy Naidu	Industrialist	24-9-68	30-9-69
67	Shri Charat Ram . . .	Industrialist	24-9-68	30-9-69
68	Shri C. B. Saran . . .	Business	24-9-68	30-9-69
69	Shri G. Pande . . .	Official	24-9-68	21-1-69
70	Dr. Pranlal J. Patel . . .		24-9-68	30-9-69
71	Dr. B. D. Kalelkar . . .	Official	24-9-68	29-9-70

1	2	3	4	5
72	Dr. B. D. Tilak	Scientist	24-9-68	29-9-70
73	Shri P. D. Kaspekar	Official	29-11-68	
74	Shri Dilip K. Bose	Business	21-11-69	30-9-69
75	Shri Devinder Nath	Official	13-2-69	29-9-70
76	Shri N. J. Karnath	Official	10-10-69	23-9-71
77	Shri R. D. Sathe	Official	12-2-70	29-9-70
78	Shri Dilip Kumar Bose	Business	12-2-70	29-9-70
79	Shri K. N. Modi	Industrialist	12-2-70	29-9-70
80	Shri R. Venkataswaray Naidu	Industrialist	12-2-70	29-9-70
81	Shri Pranlal J. Patel	Industrialist	12-2-70	29-9-70
82	Shri C. B. Saran	Business	12-2-70	29-9-70
83	Shri Abid Hussain	Official	23-9-71	

## APPENDIX IV

(Vide reply to recommendation at Serial No. 22 in Para 6.6)

### THE NATIONAL INDUSTRIAL DEVELOPMENT CORPORATION LIMITED, NEW DELHI

*Chart showing the names of the Directors who were present at the meetings of the Board of Directors held during the period from 31st July, 1968 to 31st July, 1970.*

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Date of the meeting	Names of Directors present at the meeting
1. 31-7-1968 (57th)	1. Shri A. Ramaswami Mudaliar (In the Chair). 2. Shri P. Hanumanthappa. 3. Shri H. K. Kochar. 4. Shri K. B. Rao (Managing Director).
2. 28-10-1968 (58th)	1. Shri K. B. Rao (Chairman) 2. Shri C. B. Saran. 3. Shri Pranlal Patel. 4. Dr. B. D. Kalelkar. 5. Dr. B. D. Tilak 6. Shri S. K. Majumdar. 7. Shri H. K. Kochar. 8. Shri K. Balachandran. 9. Shri R. K. Sethi (Managing Director).
3. 31-1-1969 (59th)	1. Shri K. B. Rao (Chairman) 2. Shri C. B. Saran. 3. Shri Pranlal Patel. 4. Shri R. Venkataswamy Naidu 5. Shri K. Balachandran. 6. Shri P. D. Kasbekar. 7. Shri H. K. Kochar. 8. Dr. B. D. Kalelkar. 9. Shri R. K. Sethi (Managing Director)

Date of the Meeting	Names of Directors present at the meeting
4. 30-4-1969 (60th)	1. Shri K. Balachandran (In the Chair.) 2. Shri C. B. Saran. 3. Shri Pranlal Patel. 4. Shri Dilip Kumar Bose. 5. Shri P. D. Kasbekar. 6. Dr. B. D. Kalelkar. 7. Shri R. K. Sethi (Managing Director)
5. 31-7-1969 (61st)	1. Shri K. B. Rao (Chairman) 2. Shri C. B. Saran. 3. Shri Pranlal Patel 4. Shri Dilip Kumar Bose 5. Shri K. Balchandran. 6. Shri P. D. Kasbekar. 7. Dr. B. D. Kalelkar. 8. Shri R. K. Sethi (Managing Director).
6. 30-10-1969 (62nd)	1. Shri K. B. Rao (Chairman) 2. Shri K. Balachandran. 3. Shri P. D. Kasbekar. 4. Shri Devindar Nath 5. Shri N. J. Kamath. 6. Dr. B. C. Kalelkar. 7. Shri R. K. Sethi (Managing Director)
7. 6-12-1969 (63rd)	1. Shri K. B. Rao (Chairman) 2. Shri P. D. Kasbekar. 3. Shri Devindar Nath. 4. Shri N. J. Kamath. 5. Shri R. K. Sethi (Managing Director).
8. 2-2-1970 (64th)	1. Shri K. B. Rao (Chairman) 2. Shri P. D. Kasbekar. 3. Shri N. J. Kamath. 4. Shri R. K. Sethi (Managing Director).
9. 7-3-1970 (65th)	1. Shri K. B. Rao (Chairman)

Date of the Meeting	Names of Directors present at the meeting
	<ol style="list-style-type: none"> <li>2. Shri R. Venkataswamy Naidu.</li> <li>3. Shri Dilip Kumar Bose</li> <li>4. Shri N. J. Kamath</li> <li>5. Dr. B. D. Kalelkar.</li> <li>6. Shri R. D. Sathe</li> <li>7. Shri R. K. Sethi (Managing Director).</li> </ol>
10. 25-4-1970 (66th)	<ol style="list-style-type: none"> <li>1. Shri K. B. Rao (Chairman)</li> <li>2. Shri K. N. Modi</li> <li>3. Shri Dilip Kumar Bose.</li> <li>4. Shri Pranlal J. Patel.</li> <li>5. Dr. B. D. Kalelkar.</li> <li>6. Shri R. K. Sethi (Managing Director).</li> </ol>
11. 10-6-1970 (67th)	<ol style="list-style-type: none"> <li>1. Shri N. J. Kamath (In the Chair)</li> <li>2. Shri Dilip Kumar Bose.</li> <li>3. Dr. B. D. Kalelkar.</li> <li>4. Shri R. D. Sathe.</li> <li>5. Shri R. K. Sethi (Managing Director)</li> </ol>
12. 18-7-1970 (68th)	<ol style="list-style-type: none"> <li>1. Shri K. B. Rao (Chairman)</li> <li>2. Shri K. N. Modi.</li> <li>3. Dr. Pranlal J. Patel.</li> <li>4. Shri N. J. Kamath.</li> <li>5. Shri P. D. Kasbekar.</li> <li>6. Dr. B. D. Kalelkar.</li> <li>7. Shri R. K. Sethi (Managing Director).</li> </ol>



## APPENDIX V

(Vide reply to recommendation at Sl. Nos. 2,35 and 36 in Paras 1.17, 8.6 and 8.7)

Q. *Further clarification of the Government replies to recommendations at Serial Nos. 2,35 and 36 as to how the original intention of the Cabinet with regard to functions and the scope of the Corporation was being reduced to only one function—Consultancy.*

In the original proposals approved by Government while deciding on the establishment of the NIDC, the functions of the Corporation envisaged that the Corporation will not only identify gaps in Industry and advise on the most appropriate means of covering such gaps but would also implement and execute such projects.

Later on, vide directive issued by Government on 8th September, 1956, the main tasks of the Corporation were defined to include:—

- (i) Grant of loans for the rehabilitation of the Jute and Cotton Textile Industries.
- (ii) Economic and technical investigations of Industrial Projects with a view to their implementation either by the NIDC or by the Government or by any other Agency approved by the Government.

It was further stipulated in this directive that as soon as a Project had been investigated by the NIDC and had reached the stage of investment decision, Government itself would decide the manner in which the Project was to be financed, controlled and managed.

2. It will, therefore, be seen from the forgoing that the original functions of the Corporation with regard to its technical activities, *inter alia*, required the Corporation to undertake technical and economic investigations to identify gaps in Industry, advise on the most appropriate means of covering such gaps through the establishment of Industrial Projects and to undertake the implementation and execution of such Projects as may be assigned to it by Government after Government have had an opportunity to examine the

results of investigations carried out by the NIDC and investment decisions were to be taken by Government.

3. The technical objectives of the Corporation, apart from its loan work of identifying gaps in industrial development and taking steps for implementation cover the following fields :—

*A. The Identification of Gaps in Industrial Development:*

- (i) Demand Projections to determine the gaps, and
- (ii) Preparation of Techno-Economic Feasibility Reports to establish, broadly, the manner in which the determined gaps can be covered.

*B. Steps for Implementation:*

- (i) Preparation of Detailed Project Reports in respect of identified schemes to fix technologies, product designs, production processes, capital investments and financial results of ventures. The Detailed Project Report provides the basis for investment decisions.
- (ii) Detailed Engineering of the project including preparation of construction drawings and bills of quantities, technical specifications of plant and machinery for purchase action, preparation of designs of non-standard equipment etc.
- (iii) Construction Management including invitation of bids, technical advice on bids, selection of suppliers and contractors, supervision of construction and equipment installation, progressing and scheduling during construction inspection etc.
- (iv) Commissioning of plant involving trial runs, rectifications and modifications to bring plant operation to optimum level.

4. The aforementioned steps involved in identifying the gaps in Industrial Development and in the implementation of schemes for covering such gaps are the normal functions of a Consultant Engineering Organisation. Therefore, the building up of Consultancy capabilities by the Corporation was only in furtherance of the objective assigned to the Corporation. The expression 'Consultancy Services' is generic in its import and covers the specific functions assigned to the Corporation.

Normally, actual execution of projects and their financing is not a part of 'Consultancy Services' and to the extent that these func-

tions were reduced to such projects as may be specifically ordered on the Corporation for execution, the scope of its technical functions did not alter and still remain those covered by the generic expression 'Consultancy Services'.

The Corporation has, over the years, built up its technical capabilities and capacities to render the services of identification of gaps and the technical steps involved in implementation of schemes for filling such gaps, which activities have, for ease of reference, been identified as "Consultancy Services" following the established usage of this expression to cover such services.

5. Concomitant with the development of Consultant Engineering Services in the Corporation for rendering the services as explained above, the Corporation has, over the years, developed the necessary expertise for rendering such services to specialised industries including (i) Engineering Industries, (ii) Aluminium Production, (iii) Iron Ore dressing and transportation, (iv) Paper and Pulp etc. The expertise developed covers the entire ranges of Consultancy Services from the activity of Demand or gap identification, preparation of Techno-economic Analysis and Studies, and Detailed Project Reports to the Detailed Designing and Engineering of such Projects and assistance in Construction Management during the stage of construction and Commissioning.

Major investments are envisaged in these particular areas of specialisation and the services of the Corporation are being utilised in the furtherance of Government Programme in these specialised fields.

Having regard to the very nature of "Consultancy Services" Consultants, world over, developed specialisations in certain fields. This has also been the case in India where other similar Consultancy Organisations of Government have developed expertise and specialisation in specialised industries such as Fertilizer, Steel, Oil Refining, Petro-chemicals etc. Specialisation in the fields of Engineering and other Industries, as referred to above, has been developed in the NIDC, which Industries call for a completely different type of specialisation to those in which other organisations are engaged.

## APPENDIX VI

(Vide reply to recommendation at Serial No. 5 para 2.16)

### THE NATIONAL INDUSTRIAL DEVELOPMENT CORPORATION LIMITED, NEW DELHI

*Statement of loans given to big business houses during the last three years*

Sl. No.	Name of the Co.	Date of application	Date of sanction	Amount of loan sanctioned upto	Amount of loan disbursed during the last three years			Remarks
					31-3-1972			
					Rs.	Rs.	Rs.	
				1969-70	1970-71	1971-72		
				Rs.	Rs.	Rs.		
1.	M/s. Shri Madhusudan Mills Limited. (Bangur Group)	21-11-1959	25-4-1961	53,00,000	50,76,000	5,68,000	2,03,000	•
2.	M/s. New Gujarat Cotton Mills Ltd. (Kanoria R. K. Group)	20-5-1960	23-1-1962	30,00,000	30,00,000	2,45,500	..	Loan repaid in full by the Co. on 11-8-1971.
3.	M/s. Loyal Textile Mills Ltd. (Thyagaraja Group)	31-8-1957	27-1-1959	8,73,000	8,73,000	14,400	..	•

•The Corporation has not been entertaining fresh applications for loans since February, 1963.

## APPENDIX VII

(Vide para 4 of Introduction )

Analysis of the action taken by Government on the recommendations contained in the Sixty-Third Report of the Committee on Public Undertakings (4th Lok Sabha).

1.	Total number of recommendations . . . . .	36
2.	Recommendations that have been accepted by Government (vide recommendations at Sl. Nos. 15, 16, 17, 18, 21, 25, 26, 27, 28, 29 and 30)	
	Number . . . . .	11
	Percentage of total . . . . .	31%
3.	Recommendations which the Committee do not desire to pursue in view of Government's reply (vide recommendations at Sl. Nos. 1, 3, 11, 19, 22, 23 and 33)	
	Number . . . . .	7
	Percentage of total . . . . .	19%
4.	Recommendations in respect of which replies of Government have not been accepted by the Committee (vide recommendations at Sl. Nos. 2, 4, 5, 6, 7, 8, 9, 10, 12, 13, 14, 20, 24, 31, 32, 34, 35 and 36)	
	Number . . . . .	18
	Percentage of total . . . . .	50%
5.	Recommendations in respect of which final replies of Government are still awaited.	
	Number . . . . .	Nil.
	Percentage of total . . . . .	Nil.