C. P. U. No. 276

COMMITTEE ON PUBLIC UNDERTAKINGS
(1974-75)

(FIFTH LOK SABHA)

SIXTY-THIRD REPORT

NATIONAL TEXTILE CORPORATION LIMITED

MINISTRY OF INDUSTRY AND CIVIL SUPPLIES
(Department of Industrial Development)

LOK SABHA SECRETARIAT
NEW DELHI

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Page	Para	Line	For	Read
10	2.15	9	much	must
11	2.16	17	subservies	subserves
14	3.8	4	'and suggest'	'suggested
22	3.27	9	mill	Corporation
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92	9.2	2	1971, 1972 and 1973	1971 to 1974
103	10.8	10	mining	running
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105	10.10	8	as	a
106	10.13	2	process	prices
107	10.17	4	Munir	Muir
108	10.23	2	Insert "were" after 'Steps'	
112	11.3	5	Cardox	Cardex
113	11.10	2	Cardox	Cardex
116	12.4	2	tier	their
118	13.2 (iii)	1	Insert "with" before 'the'	
120	13.3 (vi)	3	Insert "that the two undertakings" between the words 'takings' and 'have'	
131	foot-note	1	delete the word 'since'	
132	-		I[illegible]t '1' under col. 'S.N.' against 2.6	
136	3.22	1	Insert "of" between 'time' and 'setting'	

Page	Para	Line	For	Read
138	3.25	14	are being	have been
142	4.28	20	a	of
143	4.31	4	record	regard
143	4.32	6 & 7	special	specially
146	5.20	2	precuring	procuring
146	5.20	8	of	to
162	8.32	13	see	sell
163	8.34	10&11	detail	retail
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167	10.17	5	Indian	India
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COMMITTEE ON PUBLIC UNDERTAKINGS
(1974-75)

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2. Shrimati Roza Vidyadhar Deshpande
3. Shri T. H. Gavit
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20. Shrimati Purabi Mukhopadhyay
21. Shri S. G. Sardesai
22. Pandit Bhawani Prasad Tiwary

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*Elected w.e.f. 28-11-1974 in the vacancy caused by the appointment of Shri H. M. Trivedi, as Minister.

SECRETARIAT

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

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

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5. Shri K. Gopal
6. Shrimati Sheila Kaul
7. Shri Digvijaya Narain Singh
8. Shri S. S. Mariswamy
9. Dr. Sankta Prasad

INTRODUCTION

I, the Chairman, Committee on Public Undertakings, having been authorised by the Committee to present the Report on their behalf, present this Sixty-third Report on the National Textile Corporation Limited, New Delhi.

2. This Report is based on the examination of the working of the National Textile Corporation Ltd. upto the year 1974.

3. The Committee took evidence of the representatives of the National Textile Corporation Ltd. on the 20th and 21st January, 1975, and that of the Ministries of Industry and Civil Supplies (Departments of Industrial Development, Civil Supplies & Cooperation and Heavy Industry) and Commerce on the 10th February, 1975.

4. The Committee on Public Undertakings considered the Report at their sitting held on the 16th April, 1975.

5. The Committee wish to express their thanks to the Ministries of Industry and Civil Supplies (Departments of Industrial Development, Civil Supplies & Cooperation and Heavy Industry) and Commerce and the National Textile Corporation Ltd. for placing before them the material and information they wanted in connection with the examination of the working of the National Textile Corporation Ltd. The Committee wish to thank in particular the representatives of the Ministries and Departments and the Undertaking who gave evidence and placed their considered views before the Committee.

NEW DELHI;
April 21, 1975.
Vaisakha 1, 1897 (*S*).

NAWAL KISHORE SHARMA,
Chairman,
Committee on Public Undertakings.

I

INTRODUCTORY

Brief History relating to the setting up of the National Textile Corporation

1.1. Prior to the Second World War, India was a cotton textile importing country. The shortages of supplies, as a consequence of the Second World War created a windfall in the demand for textiles. The Textile Mills in the country took full advantage of this situation and worked their machines intensively and started exporting textiles. This spurt in demand for textiles continued even after the end of the Second World War for a few years. Induced by the huge profits of the prolonged sellers' market many Indian millowners did not consider it necessary to conserve a portion of their profits for the modernisation and rehabilitation of their machinery, in spite of Government's warning at the beginning of the Second World War to the industrialists not to fritter away their expected profits by large dividends to shareholders. During the Fifties and Sixties, modernisation and rehabilitation did not occur at a rate sufficient to outpace the ageing of machinery, much of which was not new even at the beginning of the war in 1939. The failure of industrialists to modernise and rehabilitate the machinery for such a long period led to reduced profitability, closure of textile mills and production became decreasingly competitive. In view of the importance of the industry, Government felt in 1967 that a time had come when Government should come directly to the help of the industry, so that even after ignoring the mills with old and worn-out machinery which had to be scrapped, the mills which had been mis-managed but whose equipment was such that if their financial and organisational structure was rationalised, could maintain production and regain moderate profitability.

1.2. At that time the Governmental policy for tackling the problem of sick industrial units was based largely on the provisions of the industries (Development and Regulation) Act, 1951 which empowered the Central Government temporarily to assume management or control of industrial units in certain cases. Temporary management of sick textile mills under this Act presented a number of difficulties. It required return of the undertaking, after a period of time, to the original management, who had earlier brought it to its sad plight. In a number of cases, the undertakings, after their return to the original management, were mis-managed again to the point of attracting Government intervention a second time. Further there was no security for Government funds and this prevented investment of public funds for long term rehabilitation and modernisation of such mills. To obviate these difficulties, the Cotton Textile Companies (Management of Undertakings and Liquidation or Reconstruction) Act, 1967 was enacted to settle the long term future of textile mills that were already taken over or might be taken over in future under the Industries (Development and Regulation) Act, 1951. This Act empowered Government to liquidate financially weak textile companies, while making arrangements simultaneously to sell the undertakings thereof by public tender at or above a reserve price. If no offers were received for purchase of the mill at the reserve price, the Act envisaged purchase of the mill by Government at the reserve price. Alternatively, the Act enabled the Government to draw up a scheme of reconstruction for textile companies which were financially weak/mismanaged and in this process acquire controlling interest in such companies.

The provisions of the Cotton Textile Companies (Management of Undertakings and Liquidation or Reconstruction) Act, 1967, have been, with some modifications, incorporated in the Industries (Development and Regulation) Act, 1951, and made applicable to all scheduled industries. Consequently, the C. T. C. Act, 1967 has been repealed.

1.3. For the purpose, *inter alia,* of managing the textile mills that may be acquired by Government under the provisions of the Cotton Textile Companies (Management of Undertakings and Liquidation or Reconstruction) Act, 1967 and also, in due course of establishing new textile mills, the need for a separate institution was felt. Accordingly, a Corporation known as the NATIONAL TEXTILE CORPORATION LTD., was set up by Government under the Companies Act, 1956, with an authorised capital of Rs. 10 crores, which has since been raised to Rs. 75 crores. The National Textile Corporation Limited started functioning from 1st April, 1968.

1.4. At the time of setting up of the National Textile Corporation, there were 17 mills taken over by the Government under the Industries (Development and Regulation) Act, 1951. By October, 1972, the number of such mills had increased to 57. On 31st October, 1972, an Ordinance called the 'Sick Textile Undertakings (Taking over of Management) Ordinance, 1972' (since replaced by an Act) was promulgated. As a result of the promulgation of this Ordinance, the management of 46 more sick textile undertakings in the country came to be vested in the Central Government. The preamble of the Ordinance made it clear that the management of the 46 sick textile undertakings was being taken over by the Government pending their nationalisation. Thus under the two Acts mentioned above, the management of 103 sick textile undertakings in all had been taken over by Government.

1.5. On 2nd September, 1974, the Sick Textile Undertakings (Nationalisation) Bill, 1974 was introduced in Lok Sabha. This was followed by the promulgation of the Sick Textile Undertakings (Nationalisation) Ordinance, 1974, on 21st September, 1974, which has since been replaced by an Act. 103 sick textile undertakings have, thus, been nationalised with effect from the 1st April, 1974.

1.6. The total installed capacity of 103 textile mills in terms of spindleage and loomage is about 2.95 million spindles and 45,725 looms and they provide employment to over 1.6 lakh workers. These figures represent 16 per cent of spindles, 22 per cent of looms and 18 per cent of labour as compared to the total installed capacity and employment in the textile industry in the country.

II

AIMS AND OBJECTIVES

A. Objectives

2.1. The National Textile Corporation was set up on 1st April, 1968 with the main objectives of managing the affairs of the sick textile undertakings taken over by the Government. It was also proposed to rehabilitate/modernise these mills after the take over and wherever considered necessary expand them to make them technically viable units. In addition, it was envisaged that subject to availability of resources the Corporation may set up new mills particularly export oriented mills. The other functions of the Corporation are:—

(a) to render advice to Government with reference to reports of Committees of Investigation appointed under the Industries (Development and Regulation) Act and report of the authorised persons received by the Government under Section 3 of the Cotton Textile Companies Act [Since incorporated in the I(D & R) Act;]

(b) to render assistance to Government in carrying out investigations under the I(D & R) Act and in examining applications for financial assistance received by the Government from the Textile Companies;

(c) to advance funds to the mills, the management of which may be taken over by the Government.

(d) to undertake the running and management of mills which may be acquired under the Cotton Textile Companies Act [Since incorporated in the I(D & R] Act; and

(e) to set up in due course new mills, specially export oriented mills, with the concurrence of the Government.

2.2. Asked as to how far the National Textile Corporation has been able to achieve the objectives for which it was set up and what were the constraints|difficulties, if any, faced by the Corporation in fulfilling the objectives, the representative of the Corporation stated during evidence:

"Regarding the first objective the National Textile Corporation has been fulfilling this objective. During the course of its existence the National Textile Corporation rendered necessary assistance to a number of investigation committees which were initiated by the Government. Similarly when the Government appointed various Committees for investigation of the mills, the representatives of National Textile Corporation were appointed on those committees. Of late the National Textile Corporation was also entrusted with the direct management of some of the undertakings the management of which was taken over by the Government. By and large the Corporation is fulfilling the objectives for which it was set-up.

There are certainly some constraints under which the Corporation is functioning. One of the constraints in which we are functioning is that the management of these mills was taken over at different points of time and the condition of the mills at the time of take-over also varied—some of the mills had been closed for nine years while others for a lesser period. Many of these mills had large amount of liabilities and there was complete financial mis-management before these mills were taken over. In some mills the labour complement was much more than the economic size of the mill justified. Further we have been facing financial constraints as fresh money from the financial institutions—for the simple reason that the banks had invested huge amounts in these mills before take over of management and they are not willing to give more funds without proper guarantees. We on our part found it difficult to give guarantees for the amounts given in the pre-take-over management period.

Then there is the constraint of availability of machinery. In spite of these constraints and within the given resources we have achieved the objective of starting all these undertakings, except for one, that is, Kothandaram in Tamilnadu. There are five units which we have not been able to take over.

One of the objectives of the National Textile Corporation is to start new export-oriented mills but, you will appreciate, we have at present with us a large number of units which we have to rehabilitate and modernise. Therefore, it was considered by the Government to devote all attention to their rehabilitation instead of starting fresh units in the Fifth Plan. It is quite possible after we have organised these mills then we may start some fresh mills."

2.3. Explaining the constraints/difficulties experienced by the Corporation in fulfilling their objectives, the representative of the Ministry stated during evidence:—

"This question deals with constraints. This is in regard to liabilities-labour complement, financial constraints and also constraints in regard to the availability of machinery. In regard to liabilities of the mills, it is true that when the mills are taken over under the Industries Development Act, they have very large liabilities. We have some provisions by which certain kinds of liabilities can be frozen. However, as a result of nationalisation, the correct position is that these mills have been taken over by the Government free of all liabilities.

In regard to labour, of course, these mills, to some extent suffer from some kind of problems. This constitutes a burden on the mill. The NTC have tried to work out some programmes in consultation with the workers, partly through modernisation, double shift and expansion and there is an agreed programme by which labour can be pre-maturely retired. We are trying to take care of it.

Financial constraints are serious. They are part of the general problem. We do have problems for obtaining sufficient resources, plan fund and credit system and we also have problems in regard to working capital. We have been taking this up periodically with the Planning Commission and the Finance Ministry. By and large they have been as helpful as possible. Last year, of course was as a whole a good year for the NTC as also for the textile industry and to some extent we have been able to reduce some past loss and could improve the position.

We have to struggle and to see how best we can obtain the necessary funds for operating these companies properly.

In regard to machinery the position is that it varies with reference to the type of equipment from time to time. It is true that delivery position for a number of items of machinery is rather not very comfortable but we have been discussing with the machinery manufacturers and with the Department of industries to see that our requirements which are forecast on a consolidated way are met as quickly as possible. These constraints have been brought to the notice of the Government as well as the concerned agencies. We get assistance from them and we hope that we will be able to meet many of these difficulties and give a better account of ourselves in the future."

2.4. The Preamble to the Sick Textile Undertakings (Nationalisation) Act, 1974 provides:

"for the acquisition and transfer of the sick textile undertakings, and the right, title and interest of the owners in respect of the sick textile undertakings, specified in the First Schedule with a view to re-organising and rehabilitating such sick textile undertakings so as to subserve the interests of the general public by the augmentation of the production and distribution, at fair prices, of different varieties of cloth and yarn, and for matters connected therewith or incidental thereto."

2.5. Asked whether in view of the fact that the Corporation had become the owner of a large number of mills after nationalisation, they had approached Government with any concrete proposal for changing or modifying the main aims and objectives for which the National Textile Corporation was set up, the representative of the Corporation stated:—

"As regards the objectives, after nationalisation these objectives have been laid down in the 'Sick Textile Undertakings Nationalisation Act, 1974 itself. These objectives are there in the preamble. Now, they have become the objectives according to which the National Textile Corporation is required to manage these undertakings.

To that extent, the objectives for which the National Textile Corporation was originally set up stand modified in the light of this preamble. The aims and objectives described in our Memorandum and the Articles of Association of the company are wide enough to cover these objectives. So there is absolutely no necessity to make modifications in the Memorandum of the Company. In order to achieve these objectives, of course, we will require certain modifications in respect of powers, etc. We are at present examining the changes in the Articles of Association and we propose to approach our Board in this connection. We will also approach the Government for more delegation of powers. The Nationalisation Act has been passed only in the month of December and we are on the task of modification required in the Articles of Association but the objectives of nationalisation can be fulfilled within the objectives of the National Textile Corporation and there is no need for any modification."

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

2.7. The Committee note that consequent on the enactment of the Sick Textile Undertakings (Nationalisation) Act, 1974, the preamble of the Act enjoins upon the National Textile Corporation to re-organise and rehabilitate sick textile undertakings acquired by Government and transferred to it for management so as to subserve the interests of the general public by the augmentation of the production and distribution, at fair prices, of different varieties of cloth and yarn and for matters connected therewith or incidental thereto. The Committee have given their recommendations in regard to the achievements of these objectives in the relevant chapters of the report.

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

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

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

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

B. Take-over and Nationalisation of Sick Mills

2.12. At the time of setting up of the National Textile Corporation, there were 16 mills taken over by the Government under the Industries (Development and Regulation) Act, 1951. By October, 1972, the number of such mills had increased to 57. On 31st October, 1972, an Ordinance called the 'Sick Textile Undertakings (Taking Over of Management) Ordinance, 1972' (since replaced by an Act) was promulgated. As a result of the promulgation of this Ordinance, the management of 46 more sick textile undertakings in the country came to be vested in the Central Government. The preamble of the Ordinance made it clear that the management of the 46 sick textile undertakings was being taken over by the Government pending their nationalisation. Thus under the two Acts mentioned above, the management of 103 sick textile undertakings in all had been taken over by the Government. The list of mills under Government management is given in Appendix I.

2.13. On 2nd September, 1974, the 'Sick Textile Undertakings (Nationalisation) Bill 1974,' was introduced in Lok Sabha. This was followed by the promulgation of the 'Sick Textile Undertakings (Nationalisation) Ordinance, 1974,' on 21st September, 1974 which has since been replaced by an Act. 103 sick textile undertakings have, thus, been nationalised with effect from the 1st April, 1974.

2.14. Takeover of management is empowered under Sections 18A, 18AA and 18FA of the Industries (Development and Regulation) Act, 1951. While Sections 18A and 18FA require an investigation to precede the take over, Section 18AA (introduced *vide* Amendment Act of 1971) provides that a mill which has been lying closed for three months or more can be taken over without an investigation. The High Powered Committee on National Textile Corporation Ltd. stated in its report that, in the past, the processes of ordering an investigation and the actual conduct of it had been observed to take considerable time with consequent disadvantages. The introduction of the new Section 18AA would no doubt help in reducing the time lag in the take over to a large extent. But the requirement under it that a mill must close down and remain closed for at least three months might give rise to handicaps in the matter of the subsequent working of the mill. Closure of a unit, apart from causing unemployment, created an uncalled for and avoidable jolt to the economy of the unit and provided scope for damages or deterioration in machinery. Closure also entailed loss of production and of revenues to the Central and State Governments in the form of excise levies, sales taxes, etc. The aforesaid Committee added that avoidance of a closure prior to take over was, therefore, desirable and might facilitate continuity of operations and in this context, suggested that a company intending to close down its operations be required to give a notice of 60 days and that the Government might be authorised to take over the management during the notice period itself.

2.15. In regard to this suggestion of the High Powered Committee, the representative of the Ministry stated during evidence:—

> "We should look into this from the over-all aspect of industrial development. We have of course looked into the problem of sick units, not only in Textile but engineering and other industries. Before the management reaches a decision of closing it down there must have been serious deficiencies in the working of the mill. Our general feeling has been that we much have tried and got information about the working of the undertakings. The Planning Commission has appointed a Committee to detect before it becomes sick. It has made a recommendation. This has been discussed with the Planning Commission and the Department of Banking. One suggestion has been that before it becomes sick, its financial position must be pretty embarrassing. The financial institution can tell the Government that this company is getting into difficulty, and we must do something in advance. It is a question of monitoring their help."

2.16. Subsequently in a written note submitted to the Committee, the Ministry explained the point as under:—

> "As regards the question of taking over the undertaking within the notice period itself, it may be mentioned that although

Section 18AA of the Industries (Development and Regulation) Act, 1951 provides for the taking over of management of undertakings which have been closed for a period of not less than 3 months, this is subject to the fulfilment of certain other conditions viz., that such closure is prejudicial to the concerned schedule industry and that the financial condition of the Company owning the industrial undertaking and the condition of the plant and machinery of such undertaking are such that it is possible to re-start the undertaking and such restarting is necessary in the interest of the general public. The Government is to be satisfied on these points from the documentary and other evidence in its possession. Apart from the above statutory provisions, Government also consider other factors such as the prospects of economic viability, the written-down value of assets, the turn over, the number of workers employed and whether the articles manufactured subservies a national need. Government have also to take a view as to the assumption of responsibility for the management of the undertaking, in case it is taken over."

2.17. To a query as to the position of the mills hence forward declared sick and taken over by Government and measures proposed to be taken to obviate textile mills becoming sick, the Ministry in a post-evidence reply submitted to the Committee stated that the management of the mills, which fall sick in future, could be taken over by Government either under the Industries (Development and Regulation) Act, 1951 or under the Sick Textile Undertakings (Taking Over of Management) Act, 1972. In the event of a decision to nationalise such undertakings, a fresh legislation would be necessary. The Ministry further stated that certain preventive steps had been under consideration in regard to industrial units, including textile mills, which showed signs of incipient sickness.

2.18. The Committee note that the take-over of the management of a mill is authorised under Sections 18A, 18AA and 18FA of the Industries (Development and Regulation) Act, 1951. While Sections 18A and 18FA require an investigation to precede the take over, Section 18AA provides that a mill which has been lying closed for three months or more, can be taken over without an investigation, provided certain other conditions laid down in the Act are also fulfilled. The requirement that a mill must close down and remain closed for at least three months may, in addition to loss of production and loss of revenue to the State, give rise to handicaps in the matter of subsequent working of the mill, cause unemployment and give a jolt to the economy of the unit. The Committee note that taking this into consi-

deration, the High-Powered Committee on NTC, in their Report, had suggested that a company intending to close down its operations be required to give a notice of 60 days and that the Government may be authorised to take over the management during the notice period itself.

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

III

ORGANISATIONAL SET UP

A. Board of Directors

3.1. As per provisions of the Articles of Association, the business of the Corporation is managed by the Board of Directors. At present the composition of the Board of Directors of the Corporation is as follows:

(1) Chairman—Part-time

(2) Managing Director—Whole-time

(3) Director (Technical)—Whole-time

(4) Director (Finance)—Whole-time (Vacant)

(5) Three Directors—Part-time

3.2. It will be seen from the above that the Corporation has at present, only two functional Directors i.e. Managing Director and Director (Technical). The Managing Director is the executive head of the Corporation while the Director (Technical) and Director (Finance) head the Technical Division and Finance Division of the Corporation.

3.3. Director (Technical) is over-all incharge of the Technical Division whose main function is to advise the Corporation as well as the mills on technical matters in so far as running of the mills is concerned.

3.4. There is a Chief Internal Auditor who looks after the Internal Audit work of the Corporation as well as the mills under the direct management of the Corporation and he reports the position to Director (Finance).

B. Organisation

3.5. The National Textile Corporation was set up in April, 1968, with the main objective of managing the affairs of the sick textile undertakings taken over by the Government, from time to time. At the time of setting up of the N.T.C. there were 16 mills taken over by the Government under the Industries (Development and Regulation) Act, 1951. In 1971, it was for the first time that the Corporation was appointed as the Authorised Controller of a mill taken over by Government. By October, 1972, the number of mills taken over had increased to 57. On 31st October, 1972, an Ordinance called the Sick Textile Undertakings (Taking Over of Management) Ordinance 1972 (since replaced by an Act) was promulgated. As a result of the promulgation of this Ordinance, the management of another 46 sick textile undertakings in the country came to vest in the Central Government. Thus, the management of 103 undertakings in all has been taken over by Government.

3.6. Out of 103 mills, 34 mills were under the direct management of the Corporation in its capacity as the Authorised Controller/Custodian. 63 mills were under the management of the six State Textile Corporations set up in the States of Gujarat, Kerala, Madhya Pradesh, Maharashtra, Tamil Nadu and Uttar Pradesh or other Authorised Controllers. Physical possession of six mills had not been taken over due to Court cases.

3.7. In order to have a close and direct control and supervision over these mills in general and the National Textile Corporation controlled mills in particular, the Corporation set up four Regional Offices at Calcutta, Bombay, Bangalore and Chandigarh to look after the work in the Eastern, Western, Southern and Northern zones of the country. Subsequently the Chandigarh Regional Office was shifted to headquarters of the Corporation at Delhi and continued to function at Northern Regional Cell.

3.8. The Action Committee on Public Enterprises which studied the National Textile Corporation in the light of the proposal to nationalise the textile mills being managed by or on behalf of the Corporation and suggest a suitable organisational structure in a draft report in 1974 after preliminary discussion with the Ministry. This draft report was discussed at a high level meeting held on the 3rd April, 1974 taken by the then Minister for Industrial Development, at which, among others, Shri M. S. Pathak, Member, Planning Commission was also present. The main conclusions reached by the Action Committee were discussed at this meeting and final decisions taken, which were subsequently implemented in the nationalisation of the sick textile undertakings.

3.9. The Committee were informed by the Corporation in a written note that the NTC has been entrusted with the responsibility of revival and rehabilitation of these units. In consonance with the objective laid down in the Long Title to the Sick Textile Undertakings

(Nationalisation) Act, 1974, NTC has now to undertake necessary measures "with a view to re-organising and rehabilitating such sick textile undertakings, so as to sub-serve the interests of the general public by the augmentation of the production and distribution, at fair prices, of different varieties of cloth and yarn...."

3.10. Since the 103 sick textile undertakings are spread throughout the country, it was felt that direct centralised management of all the units would be impracticable. Therefore, keeping in view the interest of efficient and co-ordinated management of the mills on a uniform pattern throughout the country, it was decided to entrust the management to nine regional subsidiary corporations of the NTC. It was envisaged that NTC as an apex body would play a co-ordinating and supervisory role, but the subsidiaries would be the profit centres and have considerable autonomy in their functioning. NTC would hold the majority i.e. 51 per cent shares in the subsidiary corporations and the State Government concerned would have the option to contribute upto 49 per cent of the equity capital. The State Governments would nominate Directors in these subsidiary corporations in proportion to their equity participation. The Chairman-cum-Managing Director of the subsidiary Corporation would be appointed by the NTC in consultation with the State Governments concerned.

3.11. The apex organisation viz. the National Textile Corporation is presently headed by a part-time Chairman. There is also a full-time Managing Director. The top management is assisted by supporting staff which includes experienced personnel in areas of technical, administrative and financial management.

3.12. The Committee enquired whether the post of Chairman and Managing Director could not be combined as recommended by Administrative Reforms Commission. The Corporation in a written reply after evidence stated as follows:—

> "The Chairman presides over the meetings of the Board of Directors. Besides, the present Chairman has a background of long experience in the textile industry and his guidance is available to the Corporation whenever required in important matters pertaining to the management of the mills and complicated issues. Further on occasions, the Chairman takes up matters on behalf of the Corporation at the highest level in the Central Government and in other important forums. He has been presiding over Selection Committees for high level appointments.
>
> The Managing Director is the Chief Executive of the Corporation and discharges the normal functions of Management

under the overall guidance of the Chairman and the Board of Director to enable him to discharge his functions.

At present the arrangement is that the National Textile Corporation has a part-time Chairman who has an eminent position in the textile industry and is considered to be an expert in this field, whereas the Managing Director has an administrative background and was very closely associated with developments culminating in the nationalisation of the sick textile undertakings. The present arrangement is functioning smoothly."

3.13. In this connection, the representative of the Ministry stated during evidence that "in respect of public undertakings our approach has been to appoint full time Chairman and Managing Director; in this particular case we have not been able to locate a person who could fill the bill. In the textile industry there is great difficulty in getting a senior man who has the experience and who is competent but who will come for the kind of salary and status that is given. This is the problem. Therefore, we have got to appoint part-time Chairman and full-time Managing Director."

3.14. During evidence, the Committee enquired whether any study of the set up at Headquarters as well as of the Regional Offices has been undertaken. The representative of the Ministry stated—

"I submit that before we embarked on nationalisation we gave very great importance to this question as to what should be the ultimate pattern of management which we should contemplate for this. We thought that there should be an independent and objective assessment. Their idea should come up to the Government level and the alternatives can be judged and a final decision taken. Committee known as the Action Committee, Bureau of Public Enterprises, headed by Mr. Rajadhyaksha, Secretary in the Planning Commission, was appointed and it went into great details and discussed with various State Textile Corporations and the private sector also. They gave various alternatives which were considered at Government level and ultimately the pattern which emerged was this; that the State Governments will have to be actively associated and will have to be made participants in running the mills because of various practical considerations. Therefore the NTC should function as an apex body; there should be nine regional subsidiary corporations in which 51 per cent shares should be held by the NTC as a holding company and 49 per cent shares should be thrown open to the State Governments. Similarly regarding the management for the subsidiary corporation, the Chairman-*cum*-Managing Director should be appointed in consultation with the State Government. Certain nominees will be appointed by the NTC and certain nominees by the State Government. This nucleus board will professionalise management. Functional directors such as director of personnel, technical director, etc. will be selected by this nucleus board to professionalise the management of the subsidiary corporations. As a result of the formation of the subsidiary corporations, the four regional offices which we had set up will lose their relevance and they will be gradually wound up."

C. Subsidiary Corporations

3.15. As mentioned earlier the National Textile Corporation is to contribute 51 per cent of the share capital of the Subsidiary Corporations and the State Governments concern have been given the option to contribute upo 49 per cent. The Board of Directors of the subsidiary corporation will consist of Chairman-*cum*-Managing Director to be appointed by the N.T.C. in consultation with the State Government concerned and part-time Directors representing N.T.C. and the State Government in proportion to the contribution in the equity capital of the subsidiary corporation. The Chairman-*cum*-Managing Director and the part-time Directors, appointed by the N.T.C. and the State Government, will appoint whole-time functional Directors. The State Government will, therefore, be fully associated in the management of the subsidiary corporation.

3.16. As per directions of the Central Government, the N.T.C. has registered 9 subsidiary corporations at Delhi, Kanpur, Bhopal, Calcutta, Ahmedabad, Madras, Bangalore and two at Bombay. All the 9 subsidiary corporations have started functioning. Details of mills, which each subsidiary Corporation will manage, are given in Appendix II .

3.17. 103 mills which have been nationalised are grouped into 9 regional subsidiary corporations after taking into account the location of the units, the number of spindles and the looms. The Corporation has made an attempt to ensure that the number of spindles in one subsidiary corporation is between 1 lakh to 5 lakhs spindles.

Before this pattern was evolved it was stated that the State Governments had been consulted by the Central Government.

3.18. After the setting up of the Subsidiary Corporations, the Regional Offices have been wound up.

D. **Manpower Planning**

3.19. In the initial years of its working, the role of the NTC was confined only to supervise the working of the mills under Government management and to provide finance for running of these mills. However, from April, 1971 onwards, the N.T.C. was also entrusted with the task of directly managing some mills. At the end of March, 1972, the N.T.C. was directly managing 12 mills and this number increased to 34 at the end of March, 1973. Further, in October 1972, when the Government took over the management of 46 mills under the Sick Textile Undertakings (Taking over of Management) Ordinance, 1972 (subsequently replaced by an Act), N.T.C. was appointed the Custodian General for these mills. The Corporation was also given the powers to appoint Custodians for managing these mills. In order to carry out the higher responsibilities which devolved on the NTC as a result of the above, the Corporation had to suitably strengthen itself. As the mills were scattered all across the country, 4 Regional Offices of the Corporation were also set up to supervise the working of these mills in the North, East, West and Southern Regions of the country. Statement showing the staff in position in respect of headquarter and the Regional Offices of the N.T.C. as on 31st March of every year commencing from March, 1969 is given below:—

	As on 31-3-69	As on 31-3-70	As on 31-3-71	As on 31-3-72	As on 31-3-73	As on 31-3-74
Headquarters.	17	25	32	77	113	156
Western Regional office.	—	—	—	5	13	20
Southern Regional office.	—	—	—	9	12	19
Eastern Regional office.	—	—	—	7	20	26
Northern Regional office.	—	—	—	—	8	11
Sub-Regional office, Hyderabad	—	—	—	—	1	2

3.20. The position in regard to Regional Offices has been given from March, 1972 onwards as none of them existed upto March, 1971. It would be seen from the statement that upto March, 1971, there was nominal increase in the staff strength. It was only after this period when the N.T.C. had to directly manage the mills and also after the promulgation of Ordinance on 31st October, 1972, that the Corporation was suitably strengthened by recruiting more persons.

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

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

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

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

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

up. The Committee feel that in the interest of efficient management, the headquarters of the Corporation should be a compact unit and with the setting up of subsidiaries there would be devolution of functions. The Headquarter should give a lead by shedding avoidable functions and keeping staff to the barest minimum in the interest of a compact and efficient organisation.

E. Management Information System

3.26. The Corporation in a written reply, after evidence, stated:—

"In the light of the suggestions made by the High Powered Committee, the N.T.C. is getting information on various aspects of the working of the mills through periodical returns. Mention may be made in this connection of monthly progress reports, information about the production of controlled cloth, exports, product and labour employment, progress in the implementation of modernisation, etc. Based on the information received, a review of the working of mills is prepared in the N.T.C. and put up to Board every month. In the context of the nationalisation of these mills, it was considered desirable to streamline the Management Information System suitable at the Mill level, subsidiary level and at the apex level. A study was entrusted to the N.P.C. on 31st January, 1974. This study is to cover information to maintain an effective control on the working of individual units with respect to (a) financial results and (b) technical performance and also to maintain complete information regarding various aspects of the working of the units to be able to answer Parliament Questions and for compiling statistics. N.P.C. have submitted the draft report about a month back. This is being studied in the Corporation."

3.27. Asked whether it would not be desirable to place handlooms, powerlooms and textile mills under the charge of one Ministry, the representative of the Department of Industrial Development stated during evidence:—

"The Committee would see that the responsibility for the textile industry, according to the rules of the Government, is with the Commerce Ministry. NTC itself is, from the point of view of industry, under the Ministry of Commerce. The administrative responsibility for running NTC as a public sector undertaking is with the Ministry of Industry and Supplies. For all matters such as textile policy, pricing and distribution, we come under the Commerce Ministry. The Ministry of Commerce is totally and fully responsible for all aspects of the textile industry including the public sector. As I explained, the responsibility for planning and development of the textile industry which includes handloom, power-loom, cotton textile, woolen textile and so on, is with the Ministry of Commerce. Now, the Ministry of Industry and Civil Supplies has under its control one public sector undertaking, namely, the national textile mill, which is responsible for a certain number of mills. It is for the operation of these mills that we are responsible. Perhaps I do not know whether the Commerce Ministry would like to supplement it in any other way."

* * * * *

"So far as practical working is concerned, we are having no difficulty. I may mention that in all important matters relating to textile industry, the Commerce Ministry does consult us. The Industry Ministry has participated from time to time in all these discussions. We tell them our difficulties and they tell us their difficulties."

* * * * *

3.28. Secretary of the Ministry, however, added that—

"We have undertakings which deal with many aspects. For example, if we deal with the textile industry, the growth of cotton is with the Agricultural Ministry. There are problems like cotton growth, development, planning and pricing. These are very important problems for the textile industry. We suggest that these should come under one Ministry."

3.29. In this connection, the representatives of the Ministry of Commerce stated that—

"It is a fact that from time to time, we do come across problems which are inherent in the very nature of the mills which are being run by the National Textile Corporation. There are certain sick mills which are having their own problems. We try to bring about coordination in this matter. I don't think this itself has led to any difficulty."

3.30. The Committee note that in the context of the nationalisation of 103 textile mills it had been considered desirable by NTC to streamline the Management Information System at the mill level,

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

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

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

IV

MODERNISATION/RENOVATION OF MILLS

A. Implementation of Modernisation Programmes

4.1. The 103 sick mills which have since been nationalised, were taken over by Government at various points of time. At the time of setting up of the National Textile Corporation, there were 16 sick mills with the Government. By October, 1972, the number of such mills had increased to 57. On the 31st October, 1972, another 46 sick mills were taken over by Government as a result of the promulgation of the 'Sick Textile Undertakings (Taking over of Management) Ordinance, 1972'. Almost all the 103 mills had old, outdated and unproductive machinery. The Corporation was consequently saddled with a hurculean task of up-lifting these mills and bringing them back to viable profitable working condition as quickly as possible. The formulation and implementation of modernisation programmes of the sick mills was initiated by the Corporation in the year 1970.

4.2. The High-Powered Committee in their Report on NTC observed as follows:—

> "Each modernisation programme should contain an estimate of the benefits expected from it. Investment decisions should be related to the cost-benefit ratios expected, pay-back periods etc. as revealed by the programme. The technical efficiency of the sick mills being generally low, a decision on the level of modernisation really means the identification of measures for raising efficiency and quality to normal standards. This should be done subject to the constraints of keeping the total cost and displacement of labour minimum. As for pace, in view of the urgent nature of the essentiality for modernisation, it should be fairly fast. As a working principle, we would suggest that the modernisation programmes should be so phased as to be completed within a period of two years. The imperative necessity for early modernisation is also underlined by the fact that with steady rise in prices of machinery, an early completion of the programme will improve the cost-benefit relationship."

4.3. Explaining the criteria for deciding whether a mill should be modernised/renovated and, if so, to what extent, the Chairman, NTC stated during evidence that with regard to the policy of modernisation the following considerations were given weightage before evolving rational policy: (i) to start the existing machinery (ii) balancing of machines between spinning and weaving; (iii) reduction of cost with a view to improve the profitability of the mills; (iv) need for improving the quality of product; and (v) the need to maximise exports.

4.4. Priority was given to modernising those departments where the return in terms of the objectives, that they had placed before them, was the quickest. Clear guidelines had been issued to the mills and they had been asked to prepare their individual modernisation plans on the basis of these guidelines. Such plans were examined by the NTC before sanctioning the modernisation plan. The Corporation had not prepared a long term perspective programme of modernisation because till quite recently, the number of mills which came under the control of NTC had been increasing. The finance available had to be used in order to ensure that all these mills reached their minimum acceptable level of technical efficiency. Now after nationalisation of the mills, the Corporation had tentative programme for the Fifth Five Year Plan period in which they had made some allocation on othe basis of these guidelines.

4.5. Amplifying the above point the representative of the N.T.C. stated that—

> "During the Fifth Five Year Plan, we have a scheme of expansion for 41 units which are having less than 25,000 spindles. The total number of spindles required for these units for expension is over four lakhs........We have been able to obtain 15 licences already out of these 41 mills and about 18 of them are pending with the Government. We are doing all our best to expand and in so far as how best we can do it in the Fifth Plan, as I said, there are two constraints—(a) money availability and (b) the delivery position of the machinery. In so far as the positions of the machinery are concerned, by and large all these machines are made in our country......Out of a total number of 103 units, about 67 happen to be the composite units and the rest of them are spinning units. In the spinning units there are about 10 units which are having spindles of less than 10,000. These are the first category of non-viable units as we call them and in our expansion programme, we are laying stress to bring up these units first to a viable position."

4.6. During evidence, the representative of the Ministry stated in this connection:—

"Our modernisation plans have been conceived in two phases. Strictly speaking the first phase is not modernisation; it is more renovation and replacement of useless spindles, etc. This phase is under implementation. It will be in the second phase when we will take into account whether some wholesale renovation should not take place, whether some mills should be completely replaced by automatic mills, etc. For 82 mills out of 97, modernisation plans have been approved and for the remaining 15, modernisation programmes would be approved during the financial year 1975-76. In other wards for all the 97 mills which are in our possession, modernisation programmes would have been approved and orders for Rs. 22 crores worth machinery had already been placed. Machinery worth Rs. 10 crores had already been installed and the next Rs. 10 crores will be available by March, 1975 in another month."

4.7. In a note, the Management of the Corporation stated that out of 103 mills, possession of 98 mills has been taken over by the NTC Possession of 5 mills has not yet been taken due to stay orders issued by the Courts. Modernisation programmes in respect of 82 mills, involving an outlay of Rs. 49.29 crores, have been approved by the Corporation till 31st December, 1974. In addition, the modernisation programmes in respect of 7 mills have been formulated and were under examination. Keeping in view the conditions of existing machinery and the future requirements, the modernisation programmes of the remaining mills were being worked out.

4.8. The Committee were informed that of the units in respect of which modernisation had been sanctioned, in 8 units, the first phase of modernisation had been completed and in terms of both production and exports, the first phase of modernisation has paid dividends.

4.9. As regard the labour displacement in the mills as a result of modernisation, the representative of the Corporation stated:—

"The criteria generally is that retrenchment of labour should be avoided by working additional shifts or sometimes by expansion or as a result of balancing the machines additional workers are required. We try to adjust in such a way so that retrenchment of workers is avoided as far as possible.

Not only have we issued directions about modernisation programme, but we also calculate the labour force before and after, productivity before and after, so that no superfluous retrenchment (except for the rationalisation scheme by voluntary methods which they have accepted for retrenchment) has been done."

4.10. The Committee note that a total of 103 sick mills have been taken over by Government. The Corporation has taken possession of 98 mills and possession of the remaining 5 mills has not yet been taken due to stay orders issued by the Courts. Modernisation programmes in respect of 82 mills, involving an outlay of Rs. 49.29 crores, have been approved by the Corporation till 31st December, 1974, and modernisation programmes in respect of 7 mills have been formulated and are under examination. Keeping in view the conditions of existing machinery and future requirements, the modernisation programmes of the remaining mills are being worked out.

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

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

4.13. The Committee recommend that the Corporation, keeping in view the financial resources and the suggestions made by the High-Powered Committee, should determine the inter se priorities for the renovation/modernisation of the mills and draw up a perspective plan for modernisation of the mills and ensure that investment de-

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

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

B. Machinery for Modernisation

4.15. As already mentioned, the total installed capacity of 103 mills in terms of spindleage and loomage is about 2.95 million spindles and 45,725 looms. These figures represent 16 per cent of spindles and 22 per cent of looms to the total installed capacity of the textile industry in the country.

4.16. Explaining the difficulties faced by them in quickly modernising the sick mills, the Management of the NTC stated in a note as follows:—

"The main difficulties that are being faced in quickly modernising the sick mills are; extended delays in the delivery of the contracted machines and virtually non-existence of specific commitments on the part of the machinery manufacturers|suppliers for the delivery of the machines to be ordered. In this context, it may be pointed out that during the Fifth Plan period the Government managed mills would require about Rs. 100 crores for renovation as well as for expansion of the Government managed mills. The production in the country of textile machinery was of the order of approximately Rs. 20 crores in 1972 and Rs. 34 crores in 1973. Government managed mills placed orders equivalent to about 3 crores upto March, 1972 and approximately orders worth about Rs. 8 crores and Rs. 10 crores were placed during the periods 1972-73, and 1973-74 respectively, It would thus been seen that major portion of the production of textile machinery of the country was booked by the Government managed mills during these years. This was the period when the private sector mills were reluctant in placing any order. During the year 1972 and until the beginning of 1973, no major difficulty was encountered by the Corporation in obtaining deliveries from the machinery manufacturers. In the later part of 1973, cognisable export orders were received by the machinery manufacturers. The unanticipated profits earned by the mills in the private sector in 1973 facilitated the mills in the private sector to place large orders. Large orders were also placed by this sector to take advantage of the development rebate, which has now been extended by the Government on all committed orders immaterial of the time of delivery of machines. Due to the above reasons, most of the machinery manufacturers have booked orders for a period of delivery covering 3 to 8 years (*i.e*, upto even 1980-81).

4.17. In a written reply the Corporation stated that it had put forth the following suggestions in regard to the supply of the textile machinery to the sick mills:—

(i) Considering that at a time (1971 to 1973) when the machinery manufacturers could not get orders to keep their factories running Government managed mills helped them to sustain by placing majority of the orders. Major Textile Machinery manufacturers in the country should be asked to give some special concessions regarding price and delivery to the Government managed mills.

(ii) If an advance, which could cover the raw material component is made by the indenter, there should not be any escalation in prices in the contract.

(iii) They should agree to have a uniform contract form which could be formulated in consultation with them by National Textile Corporation.

(iv) Government should insist on price discipline on Textile Machinery Manufacturers also.

(v) For a period of 3 years from this year (1974-75) 25 per cent of the production should be earmarked to be allotted to Government managed mills.

(vi) If they refuse to agree for suggestions 2 to 5 Government should consider penalising them by suitable methods such as restricting or non-release of certain quota items etc.

(vii) Government should also consider being liberal to this sector in allowing imports of machinery including good workable second hand machines from outside the country that may be available readily.

4.18. During evidence, the Committee enquired if the Corporation was feeling any difficulty in procuring machinery from Indian manufacturers, and if so, whether they had brought their difficulties to the notice of Government. The Managing Director stated:—

"Our difficulties with the textile manufacturers is that at times when they have got a substantial amount of orders during the course of the year, they are not willing to offer a less price; they want escalation, and that too linked to the date of delivery. They are also not able to offer delivery dates to us. So, we are faced with all these problems. Recently the Government have appointed a Committee to consider this problem with the textile machinery manufacturers, and we are also Members of that Committee. We are at present going into these difficulties and I think after the Committee is able to finalise its Report there will be improvement in this regard."

"We in the NTC are anxious to get the machinery required for our units. All the machinery that we require is practically manufactured within the country. But our difficulties relate to the delivery periods, the quantum of machinery being manufactured and the arrangement of distribution between the government-managed mills and the private sector mills. That is the main problem. If we can get the machinery from indigenous sources, we would not want to import them, merely because the imported machinery will be better."

4.19. Asked as to what according to Government were the difficulties/constraints faced by the Corporation in the implementation of modernisation programmes and what assistance had the Government given to the Corporation to overcome the difficulties, the Ministry during their evidence stated:—

"We are well on our way to implement the first phase of modernisation. Except in the year 1974-75 when some difficulty was faced regarding procurement of machines about which we had to take up the matter with the Department of Heavy Industry and a high-power Committee was also appointed to go into this question. The Committee is about to complete its deliberations. Apart from this constraint, there was one more constraint of general nature, *i.e.* non-availability of resources demanded by NTC. There was some programme given by the NTC. It was given to us and after going through various stages, it was found that the original proposal from the NTC was scaled down. So, one of the major constraints was that the finances to the extent required by NTC were not made available. That has certainly affected and has resulted in slight staggering of the modernisation programme. Otherwise, we would have completed this by this year."

4.20. Asked about the Committee which is reportedly going into the various aspects of the supply of textile machinery and whether Government has considered the proposal that a certain percentage of the total capacity of textile machinery manufacture might be earmarked for the nationalised mills, the representative of the Department of Heavy Industry stated during evidence that this Committee was not set up by the Government, but it was a representative body in which the initiative was taken by the Indian Cotton

Mills' Federation and the Textile Commissioner was also represented in it. A demand had been voiced that a certain quota should be ear-marked for the NTC and also for the cooperative mills. No final decision had been taken on this particular aspect by the Government, though this demand had been voiced.

4.21. Asked whether the private sector mills were treated differently by the machinery manufacturers and whether there was any connection between the psychosis of recession created by the textile magnates and the delay the manufacturers were deliberately making in supplying them the equipment, the Chairman of the Corporation stated that while there might be some truth in the psychosis but the real difficulty of the machinery manufacturers was about the non-availability of iron and steel in time and various other imported components. They had, therefore, suggested to the Government that 25 per cent of the machinery should be reserved for the public sector mills.

4.22. Regarding the utilisation of capacity by the machinery manufacturers, the Chairman, NTC informed the Committee that— 'in 1972-73, they had large unutilised capacity and the production of textile machinery was somewhere around 27 crores. In 1973-74, it had gone up to 40 crores. The Ministry had told them that they had to double the production within the next year or two. They had certain manufacturing constraints with regard to availability of iron and steel and imported components. He added that the Government had evidently said they would make these available. If that happened the NTC would have no difficulty in getting its order fulfilled within a reasonable time.

4.23. Asked whether the machinery manufacturers were exporting textile machinery and spare parts to foreign countries the representatives of the epartment of Heavy Industry stated during evidence:

> "To a very limited extent. It is not substantial. Our capacity at the 1972 level of prices is Rs. 117 crores. There are various items of machinery. Earlier, the utilisation of capacity was very low. It used to vary from Rs. 29 crores to Rs. 32 crores. Even in 1973, it went up only to the level of Rs. 43 crores. What happened was that textile machinery manufacturers were always looking for potential markets outside in order to utilise their capacity to the maximum. Now, a boom has come as a result of which they sometimes find it difficult to do that."

"According to our expectations, for the year 1974-75, they will be reaching a capacity of about Rs. 70 crores to Rs. 80 crores. That itself will be a very big jump from the past level of utilisation of capacity."

4.24. Asked whether the machinery imported by Government should be exclusively reserved for NTC, the Committee were informed by the Corporation that if the imported machines could also be reserved for the NTC, by and large, it would also help in modernising the mills quickly, though the imported machinery was far more expensive than indigenous machinery. The representative of the Corporation further stated that at present textile machinery was being exported to a significant extent and it was for the Government to consider whether the country should export the machinery on the one side, and import expensive machinery on the other. The Corporation had got two types of schemes—one was the modernisation of the existing machinery and the other was the expansion of some of their units which were of uneconomic size—particularly the spinning units which were having less than 25,000 spindles. While foreign countries were anxious to sell their complete machinery, they were not prepared to sell the parts which were needed by them for rehabilitation of the mills. As far as the Corporation knew, there was no concrete proposal, uptill January, 1975 for a large-scale import of machinery from abroad.

4.25. Asked about their views if NTC should be authorised to import the machinery directly, the Chairman, NTC, explained that if they could get the whole machines from abroad and if the Government decided on a policy of imports, then they would like to import the machinery directly rather than through the machinery manufacturers.

4.26. The representative of the Ministry of Industry and Civil Supplies stated during evidence that they had not received any proposal from the National Textile Corporation for importing machinery.

4.27. The Committee enquired whether in view of the fact that the Corporation had become the owner of a large number of sick textile mills, they had got any proposal of having their own units where they could manufacture the necessary components for textile machinery, the Chairman, NTC stated:—

"As far as the manufacture of textile machinery is concerned, from the time the cotton arrives in the mill till it comes out as cloth, the number and the type of the machines are very considerable and the NTC mills are using all these machines. It is obviously not possible for us to manufacture all these types of machines by starting, say a subsidiary of the NTC, particularly because the manufacture of machinery is a highly specialised occupation and to do this indifferently would be worse than not doing it at all.... With regard to the organisation, purchase and sale of the NTC mills, our hands are full, our finances are limited. Therefore, it would not be advisable for us at this stage to go into a line that is completely new and we would rather conserve our efforts and resources in the area of the rehabilitation. However, at a much later stage, when we have been able to achieve a measure of success in these areas, we will certainly do our best."

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

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

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

4.31. During evidence it was stated that a High Powered Committee has been appointed to go into the problems with the textile machinery manufacturers and when that Committee finalises its report, there will be improvement in this regard.

The Committee, however, understand that this High Powered Committee was not appointed by Government but on the initiative of ICMF.

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

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

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

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

V

PURCHASE OF COTTON

A. Cotton Purchase Scheme

5.1. Cotton accounts for more than 50 per cent of the cost of production of cloth. Cotton purchases throw a considerable strain on the ways and means position of the mills. In order, therefore, to help the mills to secure at advantageous prices their supplies of cotton, the National Textile Corporation, introduced in February, 1969, a scheme for the purchase and supply of cotton on a no-profit-no-loss basis. Under the Cotton Purchase Scheme of the Corporation, cotton is purchased by the Constituted Attorneys of the N.T.C. (who are generally the Chief Executive Officers of the mills concerned) and transferred to the mills at cost from time to time. The Scheme is a voluntary scheme and any of the Government Managed Mills can participate in the scheme, if it so desires. Under this Scheme financial assistance equivalent to one month's cotton requirements of a mill is arranged by the Corporation out of the requirement of 4 months cotton. This roughly works out to 25 per cent of the requirements.

5.2. The mills pay to NTC interest on margin money at half per cent below the rates for advances charged by Banks against pledge of cotton. The mills also pay service charges at 0.15 per cent of the value of Cotton at actual purchased price.

5.3. Asked as to what were the relative advantages of the Corporation's cotton purchase scheme over the purchases made through the Cotton Corporation of India, the representative of the Ministry stated during evidence as under:—

> "Here I would like to tell you that the question probably assumes that there is some sort of a conflict between the NTC's cotton purchase scheme and the other scheme which is operated by the Cotton Corporation of India. I would like to clarify that these are two separate things. Actually one is not in conflict with the other or neither is an alternative for the other. The Cotton Purchase Scheme of the NTC is a very limited scheme. It merely aims at

this thing. Normally the banks give credit for purchase of cotton for three months' requirements. On that the margin money given is only 25 per cent by the mill and 75 per cent is advanced by the banks. But if the mills want to procure cotton not for three months but for four months, then for the fourth month's requirements 40 per cent margin money is insisted by the banks. So we got in touch with the Banking Department and the Reserve Bank of India on behalf of NTC. Then they said that even in respect of the fourth month's requirements they will not insist on a higher margin provided the purchases are made in the name of NTC and not in the name of individual mills. So, our cotton purchase scheme is merely for this limited benefit. Instead of 40 per cent margin we have to pay only 25 per cent margin money."

5.4. The Action Committee in their Report on NTC have observed as follows:—

"Assisting the Board in formulating central policies and guidelines there should be a Central Adviser (Marketing) and a Central Adviser (Purchasing)......Likewise the Central Adviser (Purchasing) should give general advice to Regional Directors and the Board on price trends in India and abroad and policies and purchases of cotton from organisations like the CCI or cooperative bodies of farmers......The purchase of cotton and marketing of yarn and cloth at stores will be carried out at the company level. In the purchase of cotton, however, there will have, necessarily, to be close consultation between the buying organisation and the mill management to make sure that the quality of the cotton bought was acceptable to the mills......."

5.5. The Cotton is purchased directly without calling for tenders by the Constituent Attorney who is the same person as the Authorised Controller of the Mill for which the Cotton is purchased. Asked as to how in the absence of a system of calling for tenders, it was ensured that cotton was purchased at an economical price, the Corporation in a written reply stated as follows:—

"The Cotton Purchase Scheme operated by the National Textile Corporation is more in the nature of a financial arrangement and, therefore, the person incharge of the mill, who has to use the cotton, is also appointed as Constituted Attorney for the purchase of cotton. In the textile industry there is no system of purchasing cotton through calling of tenders. The mills generally maintain a list of approved suppliers who are reliable and who have adequate financial resources. Whenever cotton is required, intimation is given to those suppliers to send their samples alongwith their rates. These samples are scrutinised by a Committee consisting of the Chief Executive Officer, Financial Adviser to the mill, Cotton Selector, Production Manager and others concerned. The Committee examines both the quality of cotton and the prices at which the cotton is available and finalises the orders. As the list of suppliers contain several names and they are offered opportunity to tender the samples, it is possible for the mill to choose the cotton on most economical rate."

5.6. Explaining the rationale for purchasing cotton without calling tenders, the Chairman of NTC stated during evidence:—

"All merchants are not able to supply the quality of cotton that we require. Secondly, we should like to know the financial stability of the people. We are allowed to hold only two months stock of cotton at any given time and if the merchant fails to deliver cotton at the right time, the mill will come to a stop. Therefore, the reliability, integrity and financial stability of the supplier are the most important considerations. On the other hand, if you depended on one or two suppliers alone, they are likely to take advantage. Therefore, the general practice is to have a number of registered suppliers. If you want to buy from Maharashtra, there may be half a dozen people there and similarly for Tamil Nadu or Gujarat, because every supplier does not deal with all types of cotton from all over the country. If you want to import foreign cotton, there are certain people and we approach them through the CCI. Therefore, we have a number of dealers who are recognised dealers in each mill and since we are having for each variety of cotton six or eight or ten dealers, we have sufficient variety to choose from, but if we allow everybody to tender, then the people may not be able to supply us. If at any time a dealer defaults, then his name may be removed from the list and some other man whose reliability is well-known may be added to the list."

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

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

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

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

B. Purchase of cotton from the Cotton Corporation of India

5.11. The consumption of cotton by the nationalised mills during the 3 years 1972-73, 1973-74 and 1974-75 has been as follows:—

Year	No. of mills working	No. of bales consumed of 180 Kgs. each.
1972-7	80	5·56 lakh bales
1973-74	95	9·43 lakh bales
1974-75 (Estimated)	97	10·43 lakh bales.

5.12. When in full production, it is estimated that the consumption of cotton by the 103 nationalised mills will be of the order of 14 lakh bales per annum.

5.13. To a question as to why the NTC mills should not purchase their requirements of cotton from the Cotton Corporation of India and what difficulties they were experiencing in this regard, the Corporation in a note stated as follows:—

"With the cotton production in our country being around 65 lakhs bales per year, Cotton Corporation of India's present level of operation can only be considered to be very insignificant, Currently their procurement is only of the order of 3 lakhs bales per year. This is not a significant figure to have any impact on cotton prices and helps neither the farmers nor the mills. The cotton prices continue to fluctuate as it used to be prior to the starting of C.C.I.

As far as the N.T.C. mills are concerned, from more than one point of view the mills would like to cover their entire cotton requirements of around 14 lakhs bales through the C.C.I. itself. The C.C.I. measured from their performance in the last few years, cannot be considered to be in a position to supply this entire quantity required by the NTC mills. Further the commercial practices followed by the C.C.I. also act as a deterrent for such an arrangement by which NTC need not go to any other supplier for their cotton requirements.

The normal trade practice is to deliver the cotton at mills and get the payment or to despatch the cotton and draw

80 or 90 per cent against the document, the balance being paid after a month or two. But the C.C.I. insists on taking delivery at spot after making payment in full. When this is a difficult proposition to accept even for mills with unlimited cash resources it is almost impossible for the sick mills under N.T.C. management.

In fact the N.T.C. has on many occasions indicated to the C.C.I. that they will be interested in purchasing all their requirements of cotton through the C.C.I. on a cost plus commission basis. Such an arrangement would be ideal from the point of view of the farmers, C.C.I. as well as the N.T.C. But for reasons not known to the N.T.C., C.C.I. has not agreed to such a proposal. Under such circumstances when N.T.C. mills have to buy cotton from C.C.I. as well as private parties, C.C.I. is not in a position to give even as much facility as the private suppliers are able to offer at same or even little higher prices. In the submission of samples, in the passing of the cotton, in transportation as well as in the terms of payment the terms and conditions imposed by the C.C.I. are more stringent and unworkable for the N.T.C. mills. If the N.T.C. mills are to rely more and more on C.C.I. for procuring the cotton required by them, the C.C.I. will have to increase its volume of operations so as to cover at least a 3rd of the cotton produced in our country and also review their terms of business with a view to mitigate the hardship the mills have to face on account of their present policy.

5.14. During evidence, the representative of the Corporation informed the Committee:—

"The Corporation insists on full payment not for supply at the mill gate, but at the point where they purchase cotton. Then 15—20 days are taken in transit. We have to make payment and find money for this cotton when it is in transit. We do not have enough money for making advance payments. We have been negotiating with the Cotton Corporation of India that they should give us facilities for payment at the mill gate. Now, they have accepted this proposal.

* * * *

At one point of time, we wanted CCI to procure right from the kapas and press it into bales. This matter was referred to the Committee appointed by the Government on 6-1-1974 comprising of a Joint Secretary of the Ministry of Commerce. The Committee asked NTC to give requirements of cotton. Then we got the details of our requirements. They were estimated to be 4.25 lakhs bales for NTC managed mills. In March, 1974, we got a bulk contract for 27,000 bales for the first time. We have also been requesting CCI to provide cotton at a place where it is not a cotton growing area. Instead of buying cotton from anybody else, CCI could supply us cotton. This year, we have actually put up an indent telling that we would like to buy cotton variety-wise two lakh bales out of 3-1|2 lakh bales. If this could work out, I suppose, it would be a major break-through between the two.

*   *   *   *

Our need is for about 12 to 14 lakh bales of cotton per year. The maximum turnover of the CCI so far, including the sales to the cooperatives, as also to private and public sector units, has only been about 4 lakhs bales. We would be disappointed if we depend entirely on the CCI for our needs. While we would like to give importance to the CCI and buy as much of our requirement through it as possible, our primary responsibility is to see that we get adequate cotton at the right time and at the right price."

5.15. The Committee were informed that the Managing Director, N.T.C., was recently appointed as a Director on the Board of Directors of the Cotton Corporation of India.

5.16. The Committee pointed out that one of the guidelines given by the Government to the NTC was to purchase cotton from the CCI and one of the objectives of CCI was to purchase cotton for the public sector mills. The Committee also pointed out that the CCI was short of funds. The NTC and the mills were also short of funds and asked as to how the Corporation proposed to solve these difficulties. The Managing Director stated that they had reached an agreement on these points in a meeting held on the 14th January, 1975. In the past only 40,000 to 50,000 bales were being purchased. Now they had placed an indent for 2 lakh bales.

They would increase the quantity to be purchased from CCI gradually.

When asked as to whether the purchase of cotton by two public sector organisations did not lead to overlapping and whether there should not be one single agency to purchase and supply cotton to the mills, the Managing Director NTC stated that their objective was to get the cotton at the cheapest rate and the CCI on the other hand had been functioning as an agency for stabilising the prices. The CCI had built up an expertise for purchasing cotton. NTC would like to use the CCI's expertise rather than create its own organisation. Since the CCI was also having financial difficulties, it could not give NTC the same facilities, as the private traders. The Managing Director added that the two Corporations should remain and supplement each others efforts. Asked if the CCI should be made a subsidiary of NTC the Managing Director replied in the negative.

5.17. As regards bringing together of CCI and the NTC, the Chairman, NTC, stated:—

> "I think that in our attempt to bring the CCI and the NTC together, we should not overlook the fact that ultimately, the grower of cotton should be provided with a remunerative and stable price; while the NTC would support that objective when it comes to making actual purchases of cotton, we would like to purchase at the cheapest price. We cannot forget that objective. While the amalgamation may be helpful to the NTC in the context of larger objectives, it would be helpful, I thing, if they are separate."

5.18. The Chairman, NTC, added that the profitable operation of a mill depended on the ability of the mill to purchase the right type of cotton at the right price. The NTC could not afford to delegate this primary responsibilty.

5.19. In this connection the Secretary, Department of Industry and Civil Supplies did not agree to the view as the two organisations had different functions. The CCI was set up purely for the purpose of purchase of cotton and deal with the whole problem of cotton development and cotton purchase. NTC was interested in the question of its own production programmes and its particular varieties and quantities that it needed, whereas the CCI looked at it from a larger and wider point of view of ensuring remunerative prices to farmers and stabilization of prices for the general welfare of the consumers. He, however, stated that it was necessary for the two agencies to co-operate with each other .

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

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

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

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

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

VI

PRODUCTION

A. Production Planning

6.1. The Sick Mills taken over by Government and handed over to the Corporation for management had, almost in all cases, obsolete, unproductive and antiquated machinery. Most of the Mills were, therefore capable of producing only coarse and medium cloth.

6.2. During evidence, the Committee enquired whether the NTC should concentrate only on coarse and medium varieties of cloth and not only polyester fibre or fine variety of cloth. The Chairman, NTC, stated that with the machinery and equipment that they had taken over, they could produce only coarse and medium cloth. In their plans for modernisation, they were concentrating on three aspects. The first was cost reduction; second was quality improvement and the third was the diversification of their production. They would then be able to contribute to exports by producing fine and superfine cloth.

6.3. To a query as to how many varieties of cloth they were producing, the Chairman, NTC, explained that they were producing 45 varieties as against few hundred varieties in the industry, and if they reduced the variety in a mill beyond a certain point, it did not necessarily lead to improved efficiency. In spinning and weaving they may have only a few varieties but when the cloth was finished, printed, dyed and bleached, the number of varieties, as far as the consumer was concerned were increased. He added, "what we are attempting to do is that we are standardising the production up to a certain stage in order to take advantage of increased efficiency and to provide varieties at the finishing stage so that the consumer may get some varieties in cloth."

6.4. Elaborating the above point, Director, (Technical) stated:

> "In so far as those varieties that come to the market as poplin, printed or other varieties that come by way of trade name are concerned, they may run into quite a few thousands. When we talk in terms of a variety for production, we talk in terms of limitations to produce

a particular type of cloth. That runs into a few hundreds. We produce 40—50 varieties. These are in the long cloth and poplin. In order to satisfy a particular consumer it may be in green colour or red colour."

6.5. The Committee pointed out that some of the mills which produced more fine varieties were earning more profit and asked whether NTC would not intend to do like-wise. The representative of the Department of Industrial Development stated:—

"There were some technical constraints in our mills because of the condition of the plant and equipment. It is not that many of our mills can produce fine and superfine varieties. In fact, 87 per cent of our total production consists of Medium 'A' and Medium 'B' varieties. Only 13 per cent consists of higher varieties because all our machines are not capable of producing fine and superfine varieties. With the gradual implementation of our modernisation programmes, there can be some improvement in the situation."

6.6. When asked whether the Government had examined the promising lines of production which could be undertaken by the Government Mills, the representative of the Ministry stated:—

"This is a general question regarding product mix. So far we had not made a detailed analysis. Now that a subsidiary Corporation will be there, we will go into details taking the subsidiary as a unit, as to what will be the most rational product-mix."

6.7. Asked whether Government have conducted any study to reduce the number of varities of cloth to cater to the needs of common man, the representative of the Ministry of Commerce stated as follows:—

"We have made some basic studies. We have not gone into each and every mills' working. The machineries that are used and the varieties that are produced are infinite. Further, every mill has to take some operative decision from time to time. What we have done is this. We have prepared certain general guidelines.

We are thinking of reduction of varieties over the whole range of the textile industry. Mills which are producing more than one variety per hundred looms may be directed in the first stage to reduce that number of 10 per cent. That is, if they are producing hundred varieties, they will produce 90 varieties. We have proposed that steps may be taken to reduce the varieties upto a maximum of 25 per cent over a period of two years. Firstly, it will be, 10 per cent and it will become 25 per cent over a graduated time period. This, we think, is the limited possibility for reduction of varieties for the present."

6.8. Asked as to what was the total number of varieties being produced in India, the representative of the Ministry of Commerce stated:—

"we would have to go into the definitional points about varieties. If we have two different cloths, let us say of the same constructional particulars of the same count and so on, and if one is shorter than the other by two or three inches, then, you call it a different variety. We do not, in other words, have a uniform definition which governs the varieties. We have made an analysis which showed that there are over a thousand varieties being produced in India. We would like very earnestly to submit to the Committee that it does not constitute a wide ranging pattern of production in every case. There are differences in local demands, there are different types of cloths that are being produced. All these have to be taken into account and we cannot in one sweep say that a reduction should be effected. That is why, we thought of this gradual method. We have also got to take into account another thing. Mr. Saxena mentioned about the machinery of the NTC mills. It is a fact that other mills have also got similar constraints. In fact, the textile industry is the oldest organised industry in India and some of the equipment in these mills is as old as 30—90 years. One has to take into account what those looms and spindles can produce and we should give them directions as to what else they should do. Lastly, what we want is that there should not be a fall in production under any circumstance. So, taking all these into account, we are trying to reduce the varieties to the maximum extent possible."

Production of Fine and other Varieties of Cloth

6.9. The total production of cloth and value thereof of the Government managed mills during the years 1971 to 1973 has been as under:

Year	Total production of cloth (in million metres)	Production of controlled cloth (in million metres)	Production of other varieties (in million metres)	Value of cloth indicated in column 2 (Rs. in crores)
1	2	3	4	5
1971	437·56	42·84	394·72	69·03
1972	583·82	97·21	486·61	101·11
1973	806·10	1 12·10	694·00	156·71

6.10. The Corporation has stated that as the mills were taken over at different periods of time, it may not be possible to precisely correlate the total production with installed capacity. There has, however, been a continuous increase in the capacity utilisation of these mills. The capacity utilisation of spinnig sector increased from 74 per cent in 1972-73 to 76 per cent in 1973-74 and that of the weaving sector from 78 per cent in 1972-73 to 79 per cent in 1973-74.

6.11. The N.T.C. mills mainly produce coarse and medium variety of cloth most of which is also of gray varieties. The variety-wise break-up in terms of percentage of total production during 1973 is given as under:

Coarse & Medium 'B'	75%
Medium 'A	18·8%
Fine & Superfine	6·3%

6.12. According to the Corporation during 1974 the total production is expected to be about 900 million metres. Due to installation of additional processing capacity in a few mills and marginal renovation and modernisation, the quantum of processed fabrics is likely to increase in 1974.

6.13. In the course of evidence, the representative of the Ministry stated that "87 per cent of our total production consists of Medium 'A' & Medium 'B' varieties. Only 13 per cent consists of higher varieties because all our machines are not capable of producing fine and superfine varieties."

6.14. To a question whether the corporation should concentrate on the production of coarse and medium varieties of cloth and not an polyester fibre or fine variety of cloth, the Chairman, NTC stated during eviedence:—

> "It so happens that the machinery and equipment that we had taken over can produce only coarse and medium cloth. In our plan of modernisation we do lay emphasis on the production of better variety of cloth. In our plan of modernisation we are concentrating on three aspects. The first is that cost reduction so that the mills may run efficiently and profitably. The second aspect is the quality improvement, irrespective of whether we produce coarse, medium or fine or super-fine cloth. The third aspect is the diversification of our production, that is while we are concentrating in producing coarse and medium varieties for the common man, we would also be able to contribute to exports by producing fine and super-fine cloth."

6.15. The Committee note that as against over one thousand varieties of cloth being produced in India, the NTC mills were producing only 45 varieties. The Committee were informed that it did not necessarily lead to improved efficiency if the number of varieties in a mill was reduced beyond a certain point. The Committee also note that some mills in private sector were earning more profit by producing more fine varieties but the NTC mills could not do so because of certain technical constraints like the condition of the plant and equipments. Because of these constraints, 87 per cent of the total production of NTC mills consisted of medium 'A' and medium 'B' varieties and only 13 per cent consisted of higher varieties. The Committee note that the NTC are undertaking modernisation programme with the objectives: first of cost reduction; second of quality improvement and the third of diversification of production.

6.16. The Committee are also informed that Government have not gone into the working of each of the mills nor conducted any survey with a view to reduce the number of varieties of cloth to cater to the needs of the common man, although there seems to be a thinking about the gradual reduction of varieties over the whole range of textile industry over a period and certain guide-lines have been prepared in this regard. The Committee recommend that Government

should see that the number of varieties is restricted to the minimum. The Committee also recommend that the Ministry/Corporation should undertake a quick survey of the varieties popularly in demand by the public at large in the regions, through the sale points and the subsidiaries and determine the product-mix and the number and type of varieties most appropriate to each mill, so that the mills are in a position to produce such popular varieties efficiently and economically and cater better to the needs of the common consumer.

B. Production of Controlled Cloth

Controlled Cloth Scheme

6.17. Government introduced a Statory Control over the production and prices of mill-made dhoties, sarees, long cloth, shirting and drill in October, 1964. From May, 1968 production control was limited to coarse and medium 'B' categories of cotton cloth in five commonly used varieties of dhoties, sarees, shirting, long cloth and drill. The prices of cloth were also revised and refixed. From June, 1971, the industry took upon itself to produce voluntarily 400 million sq. metres of controlled cloth per annum. The prices of controlled cloth remained the same as those fixed in May, 1968. It also became obligatory on the part of the industry to export 16 per cent of their products since 1st January, 1973. From 1st April, 1974 a revised scheme was introduced with the following salient features:

(i) The price of controlled cloth was revised to allow a flat increase of 30 per cent over the level of prices in 1968.

(ii) The retail margin on controlled cloth which was reduced to 12.1|2 per cent in October, 1972, was raised to 20 per cent over the ex-mill price because of the increased cost of transportation and handling.

(iii) The quantum of controlled cloth was increased from the previous level of 400 million sq. metres to 800 million sq. metres per annum.

(iv) The varieties under control were to include higher medium cloth also in the five commonly used varieties viz. dhoties, sarees, drill, shirting and long cloth. A provision was also made in the revised scheme to ensure adequate production of each variety of controlled cloth in each of the above three categories viz. higher medium, lower medium and coarse.

(v) A penality of Rs. 2.50 per metre was prescribed for non-fulfilment of the obligation to produce a minimum of 24 per cent of the output in the controlled categories of cloth. The obligation to export was retained at 16 per cent and the penalty rate for the non-fulfilment of this obligation kept at Rs. 0.30 per sq. metre. Inter-mill transfer of obligation in respect of exports and controlled cloth was, however, allowed, making for "Sale" of the obligation at a price (to be determined by transferer and transferee mills).

(vi) A set off of 1 metre of controlled cloth for every 3 metres of cloth exported over and above the mills' obligation of 16 per cent was allowed.

(vii) Compulsory salvedge printing of prices on every metre of controlled cloth would be introduced progressively.

6.18. In partial modification of the above, from 1st October, 1974, the control and export obligations have been amalgamated with a combined obligation of 30 per cent of the mill production and penalty of Rs. 2.50 per sq. metre for non-fulfilment; and the export performances adjusted against the control quota at a rate of Rs. 5/- FOB value of cloth and made-ups worth Rs. 7.50 exported.

6.19. The Corporation stated that when the question of increase of controlled cloth obligation from 400 million sq. metres to 800 million sq. metres was considered by the Central Government, the NTC had brought to the notice of the Government that this policy would lead to an additional loss of about Rs. 14 crores per annum to the Government managed mills. In order to safeguard the interests of Government managed mills and other weaker mills in similar situation, the Central Government decided to increase the rate of penalty from Rs. 1 to Rs. 2.50 per metre for non-fulfilment of the obligation. This was done with a view to ensure that the Government managed mills could accept transfer obligation of controlled cloth from other mills at a premium and as a result of which they could cover their losses to a certain extent. The management of NTC stated in a written note that, immediately after the penalty was increased, the affluent mills represented in the I.C.M.F., took up the question of increase of penalty on exports from 30 paise per metre to Rs. 1 per metre of non-fulfilment, at the I.C.M.F. meetings. As the burden of this increase was likely to fall again on the weaker mills, this policy was resisted on behalf the National Textile Corporation in the I.C.M.F. At this stage the present scheme of combined obligation of 30 per cent was initiated by ICMF. Under this scheme, the penalty imposed for the non-fulfilment of controlled cloth of

Rs. 2.50 per metre automatically became applicable to the export elements in this combined obligation. The affluent mills with greater export capacity were thereby able to achieve the increase in the rate of penalty for non-fulfilment of export obligation, from a level of 30 paise per metre to Rs. 2.50 per metre. Another benefit secured by these mills was an offset of their controlled obligation on the unit F.O.B. value of Rs. 5 on exports. The net result of the combined obligation and the off-set allowed on exports was the fall in the rate of premium, for manufacture of controlled cloth in excess of the obligation. Immediately after the penalty of Rs. 2.50 was imposed for non-fulfilment of obligation of controlled cloth, the premium as expected by Government, had gone up above Rs. 1.50 per metre. After the combined obligation policy was announced by Government, this premium came down considerably and at present it is below 50 paise per metre.

6.20. The management of the NTC further stated in a written note that as the machinery in the sick mills was quite obsolete, it was hardly possible for these mills to produce good quaility cloth which might fetch export market. Most of the products of these mills were coarse and medium varieties. Under the existing scheme the private afflulent mills, which had the capacity to export, escaped the social obligation to produce controlled cloth and the entire burden of producing the controlled cloth fell upon the weaker mills in which category the Government managed mills came.

6.21. The Management added that while in the production of every metre of controlled cloth, there was a loss of Rs. 1.40 per metre, there was no such fixed loss in the case of exports per metre. The advantages available to affluent exporting mills under these schemes, enabled them to quote their cloth at competitive prices. Against this, the mills which had to fulfil the controlled cloth obligation had to sell their cloth at fixed prices and suffer a loss. This policy resulted in the weaker mills fulfilling the important social obligation of controlled cloth at a loss, the exporting mills escaping this social obligation and making profits on exports.

6.22. On being asked as to whether the present scheme did not work in a manner which enriched the afflulent mill owners and cast a heavier burden on NTC mills, the Secretary, Department of Industrial Development stated:

> "I should mention that we have looked into it from the point of view of the NTC as it was having an inequitable impact on the NTC. I do not want to go into the question

whether by having a combined obligation you are promoting exports at the cost of controlled cloth or promoting controlled cloth at the cost of exports. The real problem arises after allowing for whatever a firm exports and whatever the firm provides by way of controlled cloth, higher profits have to be made out of what is left. Exports are competitive and suppose in the international market he does not make as much profit as he should. In controlled cloth we have to incur loss. Out of what is left, 60 or 50 per cent, we have to recover all that. Unfortunately for the NTC after producing controlled cloth what is left is not much. That is why it is hitting the NTC somewhat unequally."

Availability

6.23. The obligation and production of controlled cloth by the Government managed mills during the period June, 1971 to September, 1974 are given as under:—

Period	Obligation (million sq. mt.)	% of NTC obligation to total obligation	Actual packing (Million sq. Mt.)	% of NTC actual packing to total obligation.
1	2	3	4	5
June, 1971 November, 1971	41·26	20·63	42·84	21·42
December, 1971 December, 1972	101·18	23·35	97·21	22·43
January, 1973 December, 1973	90·97	22·74	112·12	28·03
January, 1974 September, 1974 . .	97·93	19·60*	153·00	30·60*

*Obligation on a prorata basis has been assumed at 500 million metres for the industry.

6.24. It would be seen from the above statement, that Government managed mills have been fulfilling their obligation of controlled cloth.

6.25. Asked whether the Corporation had conducted any study to determine the varieties of controlled cloth which were in great demand and if so, what steps had been taken to produce such popular varieties, the Managing Director stated:—

"We have not conducted any survey to assess the requirements of controlled cloth in the country. We have been guided in this respect by the Textile Commissioner. The Textile

Commissioner has fixed certain varieties and laid down certain specifications and we are required to manufacture them. In the case of controlled cloth, under the present instructions of the Textile Commissioner, 800 million sq. metres of controlled cloth has to be produced in the country. This roughly comes to about 24 per cent of the production of each mill. On the basis of the Textile Commissioner's scheme, our quotas of controlled cloth are also fixed and we have been fulfilling our obligations in this respect. We have been manufacturing the varieties which have been determined by the Textile Commissioner and the specifications that we have been observing are also those laid down by the Textile Commissioner."

6.26 In a written reply, the Department of Civil Supplies and Co-operation informed that in 1973 the production of controlled cloth per quarter in the industry was on an average about 50—70 million sq. metres as against the obligation of 100 million sq. metres. In 1974, during the period January-September, the production was 388.19 million sq. metres. The percentage production and the percentage requirements of controlled cloth, however, were as follows:—

	Percentage required	Actual percentage production
Long Cloth	25	78·7
Shirting	25	12 8
Dhoties. .	20	6·3
Sarees	20	2·7
Drill	10	0·3

6.27. It would be seen that the predominent production was in long cloth whereas the predominant requirements which had not been met were in respect of dhoties, sarees and drill.

6.28. The matter was taken up with the Textile Commissioner specifically on (i) Improving the quality of controlled cloth and (ii) specifying categories especially sarees and dhoties out of controlled cloth. In pursuance of the discussions the Textile Commissioner had issued a Notification dated the 10th January, 1975 specifying minimum width for dhoties, sarees, long cloth and shirtings. He had also issued another order of the same date indicating the specifications for controlled dhoties, sarees, long cloth and shirting. As against the requirement of 320 million sq. metres for controlled sarees and dhoties in a year, it is reported that textile industry has a total capacity of only 186 million sq. metres. In the first stage, therefore 20 per cent of the controlled cloth obligation, namely 160 million sq. metres, has been reserved for production of sarees and dhoties. The Textile Commissioner has issued an order to this effect.

6.29. Explaining the loss suffered by them in the production of controlled cloth, the representative of the Corporation during evidence, stated:—

> "In fulfilling our quota of controlled cloth, on every metre we suffer a loss of about Rs. 1.25 because for controlled cloth the price of 1968 plus 30 per cent is all that is given and from 1968 up till now there has been a considerable amount of escalation in prices, in labour costs, cost of godowns, stores etc. Therefore, on every metre of controlled cloth produced, we suffer on the average, a loss of Rs. 1.25.
>
> Till last year only four hundred million metres of cloth was produced in the country, out of which we produced 90 million metre in our mills. This was doubled in 1974. We estimated at that time when this quota was being doubled that our loss in fulfilling this obligation would be of the order of Rs. 14 crores in the full year. And this loss had increased because subsequent to the introduction of the controlled cloth in April, 1974, certain changes were made in the scheme by the Government by which the obligation in respect of controlled cloth and exports were combined and because of this combination we were asked to produce 30 per cent of either controlled cloth or we should export 30 per cent of our production. As we could not export our products, we have been fulfilling our obligation by producing 27 per cent of controlled cloth and 3 per cent of export products. Thus, our losses in the whole year will be of the order of Rs. 18 crores. Our suggestion to Government has been that the present scheme by which controlled cloth and export are linked together, should be delinked and Government can, perhaps, impose a cess on the superfine and fine varieties of cloth which is being used by the affluent sections of the society, and raise certain funds and subsidise the controlled cloth instead of asking the mills to bear the entire burden."

6.30. Asked whether NTC were not in favour of having an export obligation, the Managing Director stated:

> "I would only say that under the present combined scheme if a mill exports cloth worth 5 rupees it need not manu-

facture one metre of controlled cloth and thus it saves Rs. 1.25. The net result of this is that depending upon the exports, the exporting mill will have less obligation to produce controlled cloth and shortfall in 800 million metre will again be distributed on various other mills. We have already fulfilled our combined obligation of producing controlled cloth. But now we are being asked to share this shortfall in 800 million sq. metres and to produce more controlled cloth. That means, I have to produce another 5 per cent controlled cloth even though I have fulfilled my obligation of 30 percent. In another way I have been financing the incentive which has been given to the exporting mills. We do not say that the controlled cloth obligation should not be there. But then whether we should also be asked to finance the incentive which is given to the exporting mills? This is worth consideration* * * * The earlier policy was that 16 per cent of the mill's production had to be exported and if the mill did not fulfil this obligation, there was a penalty of 30 paise per metre, likewise, 24 per cent of the production had to be in controlled cloth and for not fulfilling this, there was a penalty of Rs. 2.50 per metre. If we fulfilled the obligation of controlled cloth but could not fulfil the obligation of export, then we had to pay 30 paise only. Now, in this combined obligation, Rs. 2.50 is the combined penalty. I am called upon to pay a penalty of Rs. 2.50 or in alternative I have to produce more quantities of controlled cloth. It also means a loss of Rs. 1.25 per metre. This is acting as a drain on us. What we have been suggesting is, that the earlier policy before this combining system, should be restored. The exports may be 16 per cent and penalty for not exporting be 30 paise. The controlled cloth obligation was 24 per cent. This obligation should be there on all the mills. And for not fulfilling the obligation, Rs. 2.50 was the penalty. Let it be there. This scheme had one advantage that the mills which could not produce controlled cloth, could buy the obligation from other mills. Rs. 2.50 was the penalty and they were prepared to give Rs. 1.60 to us if we manufacture controlled cloth on their behalf. In this way, we could recover some of our losses. So, our suggestions is that this should be de-linked."

6.31. As to whether the present scheme of combined obligation should be replaced by the earlier scheme of separate obligations of

24 per cent for controlled cloth and 16 per cent for export, the representative of the Ministry stated "We are discussing that with the Commerce Ministry. I am not quite clear in my mind whether that is the right solution."

6.32. Asked whether time has not come to give an entirely new orientation to the thinking of the Government in regard to the textile policy, the Managing Director stated:—

> "As we have stated, we have no different approach on that point. All that I was saying is that some of the aspects of the present policy have been a little harsher on our economics. We are required to function within the frame-work of that policy and we are treated on par with other factories and private industries and no consideration is given at present to the fact that we represent a sick sector. The NTC, unlike other public sector undertakings, is not a group of newly constituted mills in the public sector; it is a group of mills which have a past history—and many of them a history which is not very laudable—and we are saddled with them, and we have to function within the farme-work of a policy which is uniformly applicable. If any policy is uniformly applicable, to the sick part and the healthy part of it, those who are healthy are going to take advantage of it, and it will be at the cost of the NTC. So we do feel that some special consideration should be given to us for a certain period till we are able to rehabilitate ourselves."

> There are for instance, certain obligations for exports and there are certain obligations for controlled cloth. I don't want to run away from my commitment or feel shy of producing my controlled cloth obligation. But what I mean to say that, if producing my quota of controlled cloth leads me into certain losses—perhaps because I am a sick sector and am trying to rehabilitate myself—if some sort of subsidy can be given to me for about four or or five years, I can produce that controlled cloth."

8.33 To a question whether the Corporation has thought of devising a scheme whereby the mills were categorised in such a way as to meet the requirements of exports Controlled Cloth quotas, of all the sick mills put together, the Managing Director stated:—

> "Before nationalization, these mills were separate legal entities. All our controlled cloth obligations and export ob-

ligations were fixed by the Textile Commissioner unit-wise. After nationlization, this has become one group which is going to be divided into nine subsidiary corporations. So, we have already tken up the quession with the Textile Commissioner saying that they should treat it as one group for the purpose of fulfilling export obligations and controlled cloth obligation. We expect a favourable reply from them. Now, it will be possible for us to earmark certain mills for the purpose of controlled cloth and certain other mills for the purpose of export. Some of our mills in Ahmedabad are more export oriented. Now, we will be able to plan in such a manner as you expect us."

6.34 Commenting on the above suggestion of the Corporation, the representative of the Ministry of Commerce stated during evidence that in principle the Textile Commissioner had not objection to accede to the request of the Corporation. The only point whether the NTC or the mills should be treated as a separate unit, was under discussion.

6.35 The Committee note that Government made it obligatory on the part of Textile Industry to produce 400 millions sq. metres of controlled cloth from June 1971 and export 16 per cent of their products since 1st January, 1973. With effect from 1st April, 1974, the controlled cloth obligation was increased to 800 million sq. metres and export continued to remain at 16 per cent. The penalty of Rs. 2.50 per metre was prescribed for non-fulfilment of the obligation to produce a minimum of 24 per cent of output in the controlled categories of cloth. The penalty rate for non-fulfilment of export obligation was kept at 30 paise per sq. metres. Inter-mill transfer of obligation in respect of exports and controlled cloth was, however, allowed. A set-off of one metre of controlled cloth for every 3 metres of exports over and above the mill's obligation of 16 per cent was allowed. The scheme was further revised with effect from 1st October, 1974 and combined obligation of 30 per cent and a penalty of Rs. 2.50 per sq. metre for non-fulfilment has been imposed on the textile industry with reference to the controlled cloth production and exports. The NTC have pointed out that as the machinery in the sick mills was quite obsolete it was hardly possible for those mills to produce good quality cloth for exports and the policy had resulted in the weaker mills fulfilling an important social obligation of production of controlled cloth at a loss and the exporting mills escaping this obligation and making profits on exports. The Committee note that the NTC mills have, by and large, fufilled their obligation of controlled cloth. The Committee under-

stand that the Corporation has already approached Government to treat the mills of NTC as one unit for fulfilling export and controlled cloth obligations. The Commitee are informed that the Textile Commissioner has no objection to this in principle. The Committee would like Government to give a decision in this behalf quickly. The Committee are informed that the Corporation suffered a loss of Rs. 1.25 per sq. metre of controlled cloth produced till 1973-74. The Corporation produced 90 million metres and consequently lost more than Rs. 11 crores. The Corporation estimated the loss to be Rs. 14 crores when the quantum was doubled in 1974. This has increased on account of the changes made with effect from 1st April, 1974 when the Corporation produced 27 per cent controlled cloth and 3 per cent for export. The loss for the year was expected to be Rs. 18 crores. The Commitee are informed that the Corporation has suggested to Government that the obligation of controlled cloth should be delinked from the export obligation and Government may impose a cess on the superfine and fine varieties of cloth which is being used by affluent sections and subsidise the mills for production of controlled cloth. The Corporation has also pointed out to Government that because of the set-off of one metre of controlled cloth for every three metres of exports and the export performance adjustment of Rs. 5 FOB value and the inter-mill transfer of obligation, the burden on the Corporation on the production of controlled cloth has increased to the extent of shortfall in production of controlled cloth by the exporfing mills as it has to produce another 5 per cent controlled cloth even though it has fulfilled its own obligation of 30 per cent. In other words the Corporation has been indirectly financing the incentive which is given to the exporting mills and incurring more losses. It has also been admitted by the Ministry that unfortunately for the NTC, after producing controlled cloth, what is left is not much for making higher profits and that is why it is hiting the NTC somewhat unequally. The Committee are also informed that the penalty rate having become Rs. 2.50 per metre uniformally for non fulfilment of export/controlled cloth obligations the NTC has to incur a further loss in having to pay penalty in excess of 30 paise originally fixed even after partially meeting the loss to some extent by the manufacture of controlled cloth on behalf of exporting mills. The Committee find that the Ministry has not taken a decision about delinking the two obligations. The Committee recommend that as the Corporation is already saddled with the responsibility of converting the sick mills into viable units and has to meet the social needs, Government should consider the question of delinking the controlled cloth obligation from exports and of levying different rates of penalties for failure to meet controlled cloth and export obligatqions. The Com-

mittee further recommend that Government should also examine the question of imposing a cess on the finer and superfine varieties of cloth, as suggested by the Corporation, so that the weaker sections of the Society are not hardly hit.

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

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

6.38. The Committee also recommend that Government should also give a special report to Parliament on the implementation of

the Controlled Cloth Scheme, especially in regard to the production of sarees, dhoties and drill which are required by the common man.

C. Utilisation of installed capacity

6.39. At present, the management of 103 mills has been taken over by the Government. Out of these, 57 mills have been taken over under I(D&R) Act and the remaining 46 mills under the Sick Tetxile Undertakings (Taking Over of Management) Ordinance, 1972 (later replaced by an Act). The total installed capacity of these 103 undertakings is stated to be 2.95 million spindles and 45,725 looms. At the time of take over, most of the mills were closed for quite sometime and machinery was obsolete. In addition, these mills had also to face shortage of finance. There have also been heavy powercuts recently. The Corporation has stated that as a result of this, full capacity utilization could not be achieved in these mills. However, the capacity utilisation is gradually picking up and after the completion of modernisation programme, it is expected that full capacity utilisation will be achieved.

6.40. The percentage of capacity utilisation during years 1972-73 and 1973-74 has been as follows:—

Year	Capacity utilisation percentage	
	Spinning	Weaving.
1972-73	74	78
1973-74	76	79

6.41. During evidence the Committee asked as to what was the present percentage of capacity utilisation, the representative of the Corporation stated:—

"During the three years of 1972, 1973 and 1974, the installed capacity that we had acquired was 2.20 million spindles, 2.79 million spindles and 2.84 million spindles. The installed capacity of the looms was 37,967, 42,487 and 43,202 respectively. In 1974 from January to September our capacity utilisation has come to 78.1 (spinning) and 81.4 (weaving). The shiftwise capacity utilisation of spinning

and weaving in percentages vis-a-vis the national averages in 1972-73 were:—

	Capacity Utilisation (shift-wise)		
	NTC Mills	National Average.	
Spinning	(Oct. 1974)	1972	1973
I Shift .	74·6%	76%	75%
II Shift .	76·6%	76%	74%
III Shift	67·00%	68%	70%
Weaving			
I Shift .	84%	8[illegible]%	84%
II Shift .	84%	80%	8[illegible]%
III Shift	26·7%	44%	52%

As compared to the national average figures, we have almost come to that level. The only difference is in third shift. The industry utilisation in weaving is 44 whereas we have got 27. The reasons are two-fold. Several machines that are making the yarn have got to be improved. Secondly, in this country, the third shift of weaving is always in the automatic looms which are less in Government managed mills. That is why, the industry utilisation figure is 44 and ours is 27. * * *"

6.42. Explaining the low utilisation of capacity in weaving in the third shift, the representative of the Ministry stated:—

"But it is in weaving that we are very much below the capacity utilisation of the private sector. Our looms are working on two-shift basis mostly and on two-shift basis our capacity utilisation is as good as the capacity utilisation of the first two shift of the private sector. But in the third shift there is a sudden drop because we do not have the balancing equipment, preparatory machines and automatic looms. We are now trying to increase the number of automatic looms in our modernisation programme so that our weaving utilisation also increase."

6.43. Asked about te plans to increase the capacity utilisation, the Managing Director NTC stated:—

"We have already formulated modernisation programme for 82 mills out of the running 97 units at a cost of 49.32 crores. We have completed the first phase fully in respect of 8 mills, about 11 mills are almost at the stage of completion and the others are under various stages of implementation. By about the end of this year 1975 we are expecting that the utilisation capacity will still go higher."

6.44. Asked whether apart from the machinery, they were facing any other difficulty in utilising the capacity, the Managing Director stated:—

"We are facing one main problem in utilising our capacity apart from machinery, and that is lack of adequate finance. On the basis of the formula which is generally adopted in industry, we have worked out that we require from the banks about Rs. 80 crores as bank finance for working capital in order to utilise our capacity. Recently, the Reserve Bank of India appointed a Committee known as the Tandon Committee, and they have evolved a formula. According to this formula also, our requirement of funds from the banking sources is Rs. 62 crores. Against this, all that we have got from the banking system is about Rs. 40 crores. This gap of Rs. 40 crores in our working capital due from the banks on the basis of the formula prevalent in the industry—or even Rs. 22 crores on the basis of formula of the Tandon Committee of the Reserve Bank of India—is providing a big bottleneck in our fully utilising our capacity.

Our information is that the banking system has given Rs. 500 crores to the textile industry and as wes constitute 20 per cent of the textile industry in the country, you can see that as against the Rs. 500 crores, all that was available to this sector is hardly 40 crores from the banks. We have been approaching the Government also for help on this point, but Government's view has been that Government does not give directions to the banks in favour of individual clinets. So, they have been telling us to approach the banks directly and negotiate with them. When we go to the banks we are confronted with one major problem. This problem is that, prior to nationalisation, the banks had given huge amounts during the period these mills were in private hands and they wanted us to give guarantees for the amounts they had been giving in the pretakeover of management period to the previous owners, before they give us additional funds. We felt that, for the amounts given to previous owners, we cannot give guarantees and take over the responsibility of making repayments. So many banks have not given us any funds. We had meetings with several leading banks. The Reserve Bank also convened a meeting where all banks were called. While they are sympathetic in the meetings, the losses suffered by them are always in their mind, and this determines their attitude to us and their financing of our mills is very much effected by it. There are a group of 13 mills in this nationalised group which did not get even a single paisa from the bankers credit. You can imagine the situation. When we are operating on the basis that 30 per cent will come from the Government and 70 per cent from the banks, if all that I have got is 30 per cent and the other 70 per cent has not come to me, how do I operate the units So, this is also proving a big bottleneck in our increasing our capacity utilisation. We have been getting all kind of sympathy on this point beyond sympathy, what we need is the fund."

6.45. Explaining the position regarding productivity and capacity utilisation in NTC, Mills, the representative of the NTC stated:—

"Out of the 103 mills, 57 mills have been taken over under I(D&R) Act and the remaining 46 mills under the Sick Textile Undertakings (Taking over of Management) Ordinance, 1972. The machine productivity of these 46 mills was even as low as 45—50 per cent. It was even much below average. It is true that most of the I(D&R) mills had 60—65 per cent of machine productivity. As far as these mills are concerned, when their first phase of modernisation was implemented, their efficiency had gone up between 75—85 per cent in composite mills. In the case of mills especially in Tamil Nadu where they are working 7 days a week, machine productivity in some of the units has gone up to as high as 100—125 per cent. When our utilisation capacity goes up, obviously machine productivity will also go up. There are constraints not only regarding bank finances for operating these mills, but regarding implementation part of it. We have approached the Planning Commission for providing Rs. 156 crores by the end of the Fifth Five Year Plan. Out of that, through the budgetary sources, we have been provided for modernization only to the extent of Rs. 33 crores out of the total budget of Rs. 55 crores. This amount is 51 per cent share of NTC and the balance 49 per cent was to be provided by the State Governments. Unless the share of the Central Government is increased, implementation will be retarded to a certain extent. In fact, we have been discussing it with the Planning Commission. There have been certain constraints because of overall shortage of fund in the country".

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

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

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

6.49. The Committee are also informed that apart from the lack of suitable machinery, the main constraint in the way of higher utilisation of capacity is the lack of adequate funds. While according to NTC its requirement was to the extent of Rs. 80 crores for working capital, according to the formula, evolved by the Tandon Committee appointed by the Reserve Bank of India, the NTC's requirement of funds from the banking sources is stated to be Rs. 62 crores. The Committee understand that the NTC has got only Rs. 40 crores from the banking system thus leaving a gap of Rs. 40 crores compared to its original estimate and Rs. 22 crores on the basis of the formula of the Tandon Committee. The Committee are surprise to note that while the industry as a whole was given Rs. 500 crores, the NTC which constituted 20 per cent of the textile industry got only Rs. 40 crores which was only 8 per cent of the total given to the industry, in spite of the fact that it is not in a position to raise funds from other resources.

When the NTC approached Government in this regard, it was informed that Government do not give directions to the banks in favour of individual clients. When the NTC approached the banks they wanted the Corporation to give guarantees for the amounts the banks had given to the previous owners of the mills in the pre takeover period. The NTC could not, however, give guarantees and take over the responsibility for making repayment of the amounts advanced to the previous owners of the mills. The Committee are also informed that a group of 13 mills in the nationalised sector did not get any funds at all from the banks.

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

6.51. The Committee are informed that due to overall economic considerations, the NTC mills have been able to get only Rs. 33 crores for the modernisation programmes out of the total budget of Rs. 55 crores and their total requirement of Rs. 156 crores for the Fifth Five Year Plan period, and the Corporation has been holding discussions with the Planning Commission in this regard. The Committee would like Government/Planning Commission to

take into account the onerous responsibilities thrown on the Corporation in the wake of nationalisation of sick mills and provide adequate funds through banking system or other financial institutions both towards working capital and for its modernisation programmes.

D. Norms of Production

6.52. Asked whether any ratios have been fixed between the output of yarn/cloth to consumption of cotton and what was the average percentage of waste of cotton in spinning and weaving the representative of the Corporation stated during evidence:—

> "In so far as the norms of production to be fixed are concerned, we have identified especially for the spinning mills five different types of technological levels. They are: (1) Dilapidated machines which are more than 30 years old; (2) somewhat improved machines; (3) where we have implemented only renovation programme changing certain components and parts; (4) trying to speed up machine productivity included in the renovation programme; and (5) new machines. We have also informed the mills regarding the standard of productivity in each per spindle point. But the machinery constraints are there in each mill. For fixing a particular norm, we have also said that performance improvement should be by way of fixing their own targets and try to achieve them within a particular period. We have been identifying levels of technology. Each mill can have a different level of technology. We have sent them the norms which we have prescribed; we have asked them to do these things as and when they are implemented. Individual mill-wise, we are only attempting in the western region."

6.53. In regard to the above, the representative of the Ministry stated during evidence:—

> "The average ratio in the industry is 0.85 to 0.86; that is the ratio of output of yarn related to the consumption of cotton. As compared to that our ratio is marginally less; it is 0.81 to 0.82. That means, our yarn production is slightly less as compared to the input of cotton. That is because of the condition of the machines. They are not fast moving spindles and all that. Unless that is rectified, this will continue. We are trying to take steps to reduce this.

So far as the Government-managed mills are concerned, in spinning the wastage is 17 to 19 per cent, while the industry's average is 15 to 16 per cent. In weaving the industry's average is 3 per cent and our average is 4 per cent. Our wastage is cartainly higher as compared to the industry's average. But after two years, when we would have implemented our modernisation programme which will take two years to complete, this would be rectified."

6.54. It was suggested in the NTC Board's Meeting held on 15th June, 1974 that norms should be devised to judge the performance of the mills and two teams consisting of Technical and Finance personnel should be formed who could go into the working of the mills as and when any deficiency in the working was noticed. The Committee enquired whether any action has been taken to set up the two teams, the representative of the Corporation informed the Committee:—

"When we talk about norms, we recognise these things; especially, in every monthly progress report, we also try to make a statistical analysis of the performance of our mills, *e.g.*, as to how many mills have been losing over a period of one or more months. We are trying to put the stress on technical and financial viability in each one of the weaker mills, in order to identify the cost. The first attempt was made in West Bengal. Three mills were taken up for study; but during June, the Board took a decision. Thereafter, we were tied up with the work of nationalisation and forming of a subsidiary. Some of the teams had to be shifted. We are aware of this. As suggested, we will definitely try to have these teams and try to improve the productivity and the norms."

6.55. To a question whether any norms have been devised to judge the performance/efficiency in the working of the mills and, if so, how the performance of mills under NTC compares with the mills in the private sector in the same locality/region, the Ministry stated during evidence:—

"Recently, the NTC formulated provisional norms but these were with reference to different levels of technology because there were different types of machines in the various mills. We considered it in the Board meeting and we said that before finalising these norms sitting here at Delhi we must refer them to the subsidiary corporations and get their opinion; only then we should fix the norms and judge the performance. We have done it here on the basis of various levels of technology. It is a very wide range and it may not be applicable to individual mills. So, this is in the process of finalisation."

6.56. **The Committee note that while the ratio of output of yarn related to the consumption of cotton in the industry is 0.83 to 0.86, in the NTC mills it is 0.81 to 0.82, thus indicating that the yarn production is less in the NTC mills as compared to the input of cotton. In spinning, the wastage of cotton is 17 to 19 per cent in the NTC mills, while the industry's average is 15 to 16 per cent. In weaving, the percentage of wastage in NTC mills is 4 per cent as against 3 per cent in the industry. The Committee are informed that this imbalance would be rectified on the implementation of modernisation programmes in the mills and the Corporation has already decided to set up two teams consisting of technical and finance personnel which would go into the working of the mills and devise norms to judge the performance of the mills. The team are stated to have taken up studies in respect of 3 mills before nationalisation. The Committee recommend that the teams should finalise their studies without delay so that suitable norms are evolved and enforced for evaluating the performance of various sections of mills and taking prompt corrective measures to sustain higher efficiency and output.**

VII

COSTING SYSTEM AND PRICING POLICY

7.1. The High-Powered Committee, in their Report on National Textile Corporation, observed:

> "Some of the mills do not have any costing system and in some others the system followed is purely *ad hoc*. A sound costing system is necessary for ascertaining the cost of production at each stage of process, finding out the profitability of each type of product, tracing out periodical fluctuations in the elements of cost and for optimising conditions of operations which would enable the attainment of minimum cost and maximum productivity. In the absence of such a system, the production programming of the concerned mills becomes defective right from the beginning."

7.2. In connection with the system of costing the representative of the Corporation stated during evidence:

> "We in the Corporation are fully conscious of the need for this and our Board has considered this aspect in a couple of meetings. We have already finalised the set-up at the level of the NTC. We have also laid down the objective of the system for the levels of the subsidiary and the mill; and have drafted the costing manual referred to. I must admit that up till now, the mills have been following different systems, because they had come from different companies and sources; but we are fully conscious of the need for having a very well regulated casting system in our mills and hope that in about 2 to 3 months, we will be able to introduce this in all the mills of ours."

7.3. Regarding norms of expenditure under various heads like wages, raw materials, stores, overheads, etc., the representative of the Corporation stated:

> "We have tried to find out the various norms of expenditure in the private sector. On an average we find that in the case of a spinning mill, cotton forms about 64 per cent

of the cost, stores and spares 3 per cent., dyes and chemicals nil, power and fuel 4 per cent, wages and salaries 22 per cent and overheads 7 per cent. Against this we have tried to compare the cost in some of our mills. We found that our cost was higher to the extent of 2 to 3 per cent in cotton, 2 per cent in stores and spares, not much difference in power and fuel, 3 per cent in wages and salaries and not much difference in overheads. So, the main difference we found was in cotton and stores and spares. It was because of the lack of working capital. Because we could not get bank finance, we were not able to buy cotton in season and in the off-season we had to buy at a higher price. Moreover, we were trying to get extended credit, and the traders, knowing the financial position of the mills, were trying to hike the prices. So, in the case of wages and salaries because of the constraints of machinery, our utilisation was not to the same extent. Against the industrial average of about six operatives for a thousand spindles, we are having about ten operatives. So wages and salaries were higher to the extent of almost 3 per cent. Similar was the case in the composite units. The cost breakdown is: cotton 53 per cent, stores and spares about 5 per cent, dyes and chemicals 7 per cent, power and fuel 5 per cent, wages and salaries 25 per cent and overheads 5 per cent. Here also it was almost 2 to 3 per cent higher in the case of cotton, stores and spares and wages and salaries, on the same pattern as in the case of spinnig units. Because of these constraints our average is slightly higher if we compare it with the industry."

7.4. The Committee learn that there was no costing system in some of the mills taken over by NTC and in some others the system followed was purely ad hoc. **The Committee are informed that the NTC is fully conscious of the need for having a well regulated costing system and had initiated action to introduce the system in all its mills in about 2 to 3 months time (i.e. by the end of April, 1975). The Committee cannot over-emphasise the fact that a sound costing system is a** sine qua non **without which a mill cannot work out the cost at each stage of the process, effect economies wherever necessary and increase productivity. For this purpose, the Committee would like the Corporation should work out the standard norms both in terms of quantities and expenditure under the various elements and sub-heads of costs, in each process so that variation from such norms could be analysed and measures taken to effect economics**

wherever necessary. The Committee suggest that the Corporation can profitably undertake a study of the costing system in vogue in comparable private sector units to examine the adoption of similar system in the NTC mills. The Committee hope that, as per the assurance given during evidence, a well regulated costing system on scientific lines will be introduced and implemented in all the mills by the end of April, 1975.

Pricing Policy

7.5. In regard to the pricing policy, the High-Powered Committee, in their Report on NTC, observed as follows:

> "There is no guide as to how the sale rate is related to the cost of production, which of the sorts produced are profitable and which are not, and the extent of profit or loss that might be expected from each sort. We would urge that National and State Textile Corporations should pay sufficient attention to this lacuna and assist the mills to evolve suitable costing procedures, which would take into account the processes and practices followed in production and marketing."

7.6. The Corporation, in a written note stated:—

> "Pricing of products in the textile industry is governed by market prices. In the short run the pricing of products has no relation to the cost of production, though in the long run the market prices are governed by cost of production. For example, from September, 1974, onwards the market prices have fallen down much below the cost of production. In view of this, the Corporation could not lay down any policy for pricing of the products of the mills."

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

7.8. The Committee also note that in spinning as well as composite mills, the costs of cotton, stores and spares and wages/salaries are

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

VIII

MARKETING

A. Marketing System

8.1. At present the marketing function in the N.T.C. is confined mainly to laying down broad based policies regarding the appointment of selling agents, opening of channels of distribution etc. N.T.C. also watches the performance of the mills as regards export, controlled cloth manufactured and sales made through retail shops. Production programmes were drawn by mills in advance to meet the demand of products.

8.2 In order to have balanced marketing policy for all the Government managed mills, the N.T.C. has entrusted a study to the National Council of Applied Economic Research to suggest a suitable marketing system for the Government managed mills. It has been stated that the NCAER have very recently submitted a preliminary report. The Corporation proposes to organise the marketing system of products of Government managed mills in the light of the recommendations made by NCAER. With the formation of Subsidiaries after nationalisation, the current thinking in the Corporation has been that as the Subsidiaries will be the profit centres, the internal marketing of the products may be left to the Subsidiaries.

8.3 Amplifying the above point further the representatives of the NTC during their evidence stated as under:—

> "Up till now in the marketing of these various mills, we have been relying on the traditional system available in the country. This was being attempted mill-wise and some of the State Textile Corporations in a limited fashion also went in for centralised marketing, but by and large the sales were on a mill to mill basis. The mills also had their separate entities, and the traditional method was followed. We thought that this method of marketing required a drastic change in view of the impending nationalisation and so, we entrusted a study to the NCAER to go into the entire system of marketing and recommend to the NTC the most appropriate marketing structure for our

products. A draft report has been submitted by the NCAER. One conclusion which the NCAER has also drawn in the report is that there is definitely a need for a direct marketing system for NTC. We have also been thinking over this for the last six months, apart from the study we had entrusted to them, and we find that there is one big difficulty when we think of establishing a marketing system for the NTC products, and that difficulty arises from the channel through which we have to market our controlled cloth. Under the present instructions of the Government and the Textile Commissioner, we can sell only 10 per cent of the controlled cloth production through our own retail outlets and the balance 90 per cent has to be sold through the National Consumer Cooperative Federation."

8.4. In their preliminary report, the NCAER have made the following suggestions in regard to marketing:—

"NTC subsidiaries should develop their own channels of distribution gradually over the next decade in such a way that they reach the consumer directly. The subsidiaries should aim for a monopoly distribution of controlled cloth (as long as the category exists) as well as for the position of a dominant supplier of textiles to all governmental departments and undertakings. The N.T.C. subsidiaries should develop their own sales force who would operate with definite sales targets. The subsidiaries in co-operation with N.T.C.(I) should enter ready-made garments market in a large way. The N.T.C. subsidiaries should be freed from all export activities and allowed to concentrate on domestic sales."

8.5. The Corporation in their communication dated 3rd April, 1975, have further stated that this report is only a draft report and does not cover many operational aspects regarding marketing. They had already series of discussions with the representatives of NCAER regarding these aspects and a revised final report was expected shortly from them. The Corporation has taken a number of steps to reorganise the marketing of products of its mills. The Corporation has requested the Central Government, State Governments and the Defence Department that their requirements may be met from the NTC mills, without the usual tender procedures so that these departments would be in a position to get their requisite supplies on a regular and long term basis without depending on market fluctuation of prices.

8.6. During evidence, the Committee enquired whether the Government had considered the feasibility of centralising the marketing of products of NTC mills and to operate the retail distribution of the products of the nationalised mills through agencies of unemployed graduates. The representative of the Ministry stated:—

> "This problem has been under consideration of the NTC for more than the last six months. We thought that there should be a scientific and systematic study not only from our point of view but that we must also see what the private sector was doing and what practices they were adopting for marketing their products. So, we commissioned a study and that study has been assigned to the National Council of Applied Economic Research. They have finalised their draft report but before submitting it formally to the NTC they have sent it informally to the NTC to see whether they have missed any point. In that a very wide study has been made regarding the pattern of market, what should be the level at which the order should be accepted, whether it should be at the mill level or at the retail level and whether exports should be directed from the apex body. All those recommendations have come. They have not been considered by the Board of the NTC. A suggestion has also been thrown to them whether some agencies could be given to unemployed graduates and to what extent we could implement this scheme. For a few months more we will have to wait to finalise the scheme."

8.7. Asked whether the Government were satisfied about the present system of marketing/distribution of products followed by the N.T.C. Mills, the Ministry in a note stated that—before the nationalisation of the sick textile undertakings, the individual mills were separate entities for all purposes including marketing of cloth and yarn. Consequent upon the nationalisation, the 103 mills were now being grouped under nine regional subsidiary Corporations and it was expected that they would evolve co-ordinated policies regarding the marketing of cloth and yarn. The individual nationalised mills had hitherto been following traditional modes of marketing of their products through normal trade channels. Some of these mills had also set-up their own retail out-lets. The system was similar to that adopted by most of the private sector mills.

8.8. The Committee note that till recently marketing function in the NTC was confined to laying down broad based policies regarding appointment of selling agents, opening of channel of distribution etc. and the various mills under the NTC were following the tradi-

tional system of marketing in the country, and some of the mills had set up their own retail outlets. Some of the State textile Corporations in a limited fashion also went in for centralised marketing, but by and large, the sales were on a mill to mill basis. The Committee are informed that the NTC feeling the necessity for a change in the system in the context of nationalisation, has asked the National Council of Applied Economic Research to go into the entire system of marketing and recommend the most appropriate marketing structure for the products of NTC mills and the preliminary report of NCAER has since been received. The Committee find from the preliminary report that NCEAR has suggested that the NTC subsidiaries should develop their own channels of distribution gradually over the next decade in such a way that they reach the consumer directly, and aim for a monopoly distribution of controlled cloth (as long as the category exists) as well as for the position of a dominant supplier of textiles to all governmental departments and undertakings. The NCAER has also suggested that the subsidiaries, in co-operation with N.T.C.(I), should enter ready made garments market in a large way. The Committee are informed that the Corporation has already requested the Central Government, State Government and the Defence Department that their requirements may be met from the N.T.C. mills. The Committee would like that Government departments should give perference to NTC mills in the matter of their purchases of cotton textiles and yarn for a variety of purposes. The Committee would also like the NTC to consider the report of NCAER expeditiously and re-organise its marketing network on modern and scientific lines so as to compete with the private sector mills in the matter of supply of cloth to the common man. The Committee recommend that while taking a decision about NTC having their own marketing arrangements, the Corporation may consider the desirability of setting up a contralised marketing organisation at wholesale level with retail outlets through its own shops, public distribution system or selling agents. They feel that instead of the individual mills opening their separate retail outlets, the NTC should establish retail outlets under its own name where the products of all the NTC mills may be sold. The Committee would also like the Corporation to consider marking and selling its products under one brand name rather than using the brand names of the different mills, so that it catches the customers' eye and promotes sale. The Corporation should also ensure that selling and distribution costs are kept to the minimum.

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

B. Sale of Yarn

8.9. Out of the 103 mills under the management of Government, 35 mills are spinning units which produce only yarn. In addition, saleable yarn is also produced by some of the composite mills. The total quantity and value of saleable yarn produced both by the spinning and other composite mills during the years 1971 to September, 1974 has been as follows:—

Year	Production	
	Quantity (Mill. Kg.)	Value (Rs. in .cr.)
1971	4·45*	4·45*
1972	10·88**	11·97**
1973	44·84@	57·71@
1974	49·77	82·81

*Figures relate to Spinning Mills only.

**Figures relate to spinning units as well as estimates of surplus yarn of composite units since the actual market yarn figures for the composite units were not available.

@Figures for 1973 and 1974 are based on monthly progress reports received from the mills. These relate to both spinning units and surplus yarn of composite mills.

8.10. In a written reply the Corporation has stated that—

> "these mills have been taken over during different periods of time and it may not be possible to co-relate their production with the installed capacity. Since there is a great shortage of yarn in the country to feed the decentralised sector of handloom and powerloom, the Government managed mills have all along endeavoured to supply yarn predominantly to these sectors. The export of yarn by Government managed mills has been rather insignificant and there was no obligation also."

During the years 1971 and 1972 the Government managed mills by and large sold their yarn within the country through dealers/area agent to each of the States. The Textile Commissioner issued an order on price and distribution control of yarn on 13th March, 1973. As per these orders, the yarn was to be distributed through the following channels:—

(a) The nominees of the State Government.

(b) The Handloom Export Promotion Council, Madras.

(c) Cotton Textile Export Promotion Council, Bombay.

(d) Federation of Hosiery Manufacturers Association of India, Bombay.

(e) Any other person as may be nominated by the Textile Commissioner in this behalf.

8.11. The co-operative sectors was given preference as compared to others. This system of distribution continued throughout 1973.

8.12. Asked as to how the statutory Control on production, price and distribution of yarn affected the profitability of the mills, the Corporation, in a note stated:—

"With regard to price control on yarn, it may be stated that statutory control on production, price and distribution of yarn was imposed w.e.f. 13th March, 1973. However, as certain difficulties were experienced in the working of this scheme, the distribution control on yarn of 17 counts and below was withdrawn w.e.f. 21st June, 1973. On 18th July, 1973, yarn of counts upto 35 counts was taken out of distribution control. There was further relaxation in August, 1973 when the distribution control on yarn upto 40s count was withdrawn. The price and distribution control on yarn upto 80s count was removed on 14th January, 1974. Later on 11th February, 1974, the price control on yarn of 81s count and above was also removed but the distribution control continued to operate. The Government finally lifted the distribution control w.e.f. 20th March, 1974.

When the control order was issued, some mills and number of yarn merchants filed writ petitions in the various High Courts and got stay orders. The Government mills did not resort to any such thing and were abiding by the instructions issued by the Office of the Textile Commissioner regarding the control on price, production and distribution of yarn. As a result of stay orders the private sector mills were selling the yarn at the market price whereas the Government Mills were selling at prices fixed by the Textile Commissioner. On an average the price of a 20s count bundle of 4.5 Kg. was higher by about Rs. 12|- quoted in the open market as against the price fixed by the Textile Commissioner. Since the Government mills were selling yarn as per the prices fixed by the Textile Commissioner, they lost about Rs. 9 crores on this account."

8.13. During evidence, the Committee asked about the justification for issuing instructions to the NTC mills to sell yarn at the controlled rate when the private mills went to the Court and obtained stay orders. The representative of the Ministry of Commerce stated:—

"There was no distinction made between NTC mills and others in the pattern of allocation or distribution of yarn. It may be added that although several mills went to the court and obtained stay order, there were some mills which did not go to the court and continued to supply yarn under the Yarn Control Order. We were faced with an untenable position while a large number of mills had obtained stay order, some law-abiding mills and the NTC were complying with that order and they were hard-hit. At the same time, I would like to add that once the case had been launched by the private parties against the Government the Government felt it its duty to defend its stand and this was established by the Supreme Court judgement which held that the Government had the inherent power to decide the price of an essential commodity like yarn without necessarily going into a detailed cost examination of the Tariff Commission type, if it felt it to be necessary. Now, we are having this practical policy of trying to relate the requirement with the production units wherever organised associations are coming up."

8.14. Asked about their experience of distribution Channels, the representative of the Corporation during evidence stated:—

"By and large, we gave to these five channels. This also led us to another difficulty when the distribution channels were officially removed by Government. The agents of the mills who were there by virtue of contracts threatened us that they will go to court of law. Since the distribution control has been removed, the party concerned said, "I am the agent".

The present marketing system is that we will not be having any sole selling agent. The products have got to be marketed through the area agents. A Committee will be there for selecting those agents, and recommending the names to the Supervision Committee of the Mill. The Supervision Committee will consist of State Government officials, our regional officials, etc. They will be finalising the area agents."

8.15. Asked whether the Corporation has made any arrangements to ensure that their yarn actually reaches the handloom weaver and without changing many hands in between, the representative of the Corporation stated during evidence:—

> "In Nagpur there is a major handloom sector. In the states of West Bengal, Tamil Nadu, UP and to a certain extent possibly also Madhya Pradesh, when this control was operative, there used to be requisition from the Director of Handlooms. In the case of Tamil Nadu the entire yarn produced by the mills used to be handed over to the Director of Handlooms. We did this. And when the price control order was removed, the prices were fluctuating and going up, and the Director of Handlooms was not able to lift it, or they were not lifting it. So, again it had to go to the private sector channels. Whatever may be the fluctuations in the market, we would like to hand it over to the Director of Handlooms, if he is prepared to make a settlement. But at the time when there is price control, he comes and asks us, but when the control is lifted, he is not able to lift the yarn. When he is not able to lift it, I canot keep the product in my house, and I have to sell it again through the normal trading agencies, that is, the private channels."

* * * * *

This was exactly the problem which came to our notice about a month back. There is no price control on yarn at present in Gujarat.

We find that whatever yarn is sold it is sold in the following way. There was a certain consortium of the buyers of a particular product of the mills. They had a syndicate, and they sold to each other and they consulted each other before they tendered their prices to the mills.

We suggested to various people that whatever limited number of handloom and weaver organisations existed, and to whom this yarn was ultimately sold, should combine into a body to whom we would be prepared to give, at tendered prices, that is, prices tendered by the merchants. This has created a difficulty in the working of the mills, because nobody will tender, but we are prepared to face it. The prices at which they were getting from the merchants were higher than the price quoted in a particular tender.

We said, all right, you can quote and we shall help you also financially, because there is a lot of financing which goes on after the sale in the mill. So, we said we do not mind, even if you pay us after fifteen days, if it is not against cash delivery. But we shall prevent a syndicate between the merchants and the buyers. What I am emphasising is that for the Government-managed mills, it would be good if they select their actual users, and we shall avoid a lot of malpractices, but there must be an organised body which lift the yarn and pay for it at the agreed time. The organisation has to be created. Otherwise for us to sell to the actual users is always better than giving it to the merchants because they have always a syndicate."

8.16. Asked during evidence as to when the control order was lifter, and what was the scheme for distribution of controlled yarn and whether this scheme was to the benefit of the consumer, the representative of the Ministry of Commerce stated:—

"The scheme was introduced with effect from 13th January, 1973, after one set of discussion with the officers and another discussion at the ministerial level with the State Governments. The State Governments were requested to agree to handle the distribution of yarn within the States to the weavers concerned. The responsibility of the Textile Commissioner was for assessing the production capabilities of the mills and making what we call count-wise allotment of yarn from those mills to the respective State Governments, having regard to their pattern of consumption of yarn in those States. I would admit that this task was stupendous. Further, the Textile Commissioner had not assessed the detailed yarn requirements, which in the intervening years had increased by leaps and bounds because of the increase in the handlooms and powerlooms in the country. Therefore, the best was done with whatever data and material were available. It did happen in some cases that the yarn allotments were not fully in keeping with the actual demand pattern. Actually, in the case of certain mills where the production pattern varies, the allotment had to be done count-group-wise and not count-wise. This did lead to difficulties. But in some States where the distribution machinery was geared up by the State Governments I must say, a fairly reasonable pattern of distribution was followed. Yet, in some States we found very many difficulties cropping up."

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

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

8.19. The Committee further note that the Government have lifted the price and distribution control on yarn since last year and the products are now marketed through area agents openly. They were informed that in certain areas of Gujarat, certain buyers formed a syndicate and managed to buy yarn from NTC mills at low prices

and then to sell it to handloom and weaver organisations at a premium. The NTC mills, however, seem to have suggested that it would be in the interest of the handlooms and weavers to combine themselves into a body and buy their requirements direct from the mills instead of through intermediaries, and the NTC were prepared to help them in regard to the payment terms. The Committee agree that this is a step in the right direction and recommend that the corporation should examine the feasibility of selling the yarn direct to the handlooms and weavers or to organised bodies of the weavers to eliminate profits by middlemen and to avoid malpractices in the distribution of yarn. The Committee also recommend that the State Governments should be asked to gear up their distribution machinery to ensure that the yarn allotments follow the actual demand pattern and distribution of yarn is made to the users in the best public interest.

C. Sale of Controlled Cloth

8.20. Until October, 1972, controlled cloth was being distributed through the normal trade channels. With effect from 9th October, 1972, however the distribution of controlled cloth has been brought under statutory control. The distribution has been restricted to the following five channels:

(i) (a) Mills' own retail shops; and (b) Mills' authorised retail shops in semi-urban|semi-rural areas;

(ii) Super Bazars in the co-operative sector;

(iii) National Co-operative Consumers' Federation and the chain of co-operative institutions affiliated to them;

(iv) Fair Price shops run under the aegis of the State Governments;

(v) Any other agency in the co-operative sector specified by the State Governments concerned.

8.21. The mills are required to intimate their production and stocks of controlled cloth to the Textile Commissioner at the beginning of every month. The Textile Commissioner makes State-wise allocation on the basis of population. The actual movement of bales from the mills to various destinations in different States is coordinated by the National Co-operative Consumers' Federation, which also acts as a guarantee broker to the mills. The Textile Commissioner has issued the following further guidelines for implementation by the State Governments;

(i) Steps may be taken to reach controlled cloth to semi-urban centres with a population of 15,000 to 20,000;

(ii) The ration cards|house hold cards, etc. may be made the basis for the sale of controlled cloth;

(iii) Cloth may be sold to people with a monthly income of less than Rs. 400.

8.22. During evidence, the representative of the Corporation informed the Committee that under the present instructions of the Government and the Textile Commissioner they could sell only 10 per cent of their production of controlled cloth through their own retail outlets and the balance 90 per cent had to be sold through the National Cooperative Consumers' Federation.

8.23. To a question as to how many shops they had opened the Committee were informed that the Corporation had opened 500 retail outlets. Then the Textile Commissioner issued an instruction saying that the retail outlets of the mills should not be given to authorised persons and these outlets should wholly be manned by the staff of the mill. The second condition was that all the inventories in the shop must be held on behalf of the mill. The representative of the Corporation further stated:—

> "The point is that if we have to set up a distribution channel of our own retail outlets in the country, then this controlled cloth production which constitutes 25 per cent of our total production should also be available to us for distribution through these channels. If it is not available to us, it means that the entire overheads of the distribution system have to be borne by the balance production. This has two aspects. If we have to sell controlled cloth also through our channel, we will go and establish our outlets even in the rural areas and along with this controlled cloth we will also sell our non-controlled cloth there but if we are deprived of controlled cloth, we cannot extend to rural areas and we have to confine ourselves to the urban population where there is greater demand for the rest of the production. So we feel that if we set up a distribution system, this restriction that we cannot sell our own production in controlled cloth through this system is a limiting factor which must be removed and we must be enabled to sell it there. The Textile Commissioner's difficulty is that the facility which is not available to the private sector mills

he cannot allow to the NTC mills. So, the point for decision is whether a distribution system, set up by NTC which will fall in the category of a public distribution system should be equated with the private marketing system being operated by the other private mills. We feel that if we set up a public distribution system, it should not be compared with the private distribution system."

8.24. Asked whether they ever thought of selling their goods through depot system, the representatives of the Corporation stated:—

"This is precisely the point I am making. We want to have a retail outlet distribution channel under the NTC which has combination of different systems. In bigger place I can have an outlet wholly manned by our staff. But in other areas we can set up our own depots to which we can link 30 to 40 retail outlets which may not be manned by our own staff but by persons who follow our discipline. My difficulty is that if I put up a separate shop for the purpose of distribution, then I must have my economics worked out on my entire production instead of production minus controlled cloth........ I am not seeking a permission just today that Government should allow us to sell 100 per cent of our production of controlled cloth through our outlets. But I want an assurance that the percentage of controlled cloth through my outlet will be increased as and when I will be able to build up my distribution system. Now, I do not have the assurance that this production will be available to me. It becomes a limiting factor to the manner in which I should proceed........

We have the advantage of our 103 mills spread over practically all over the country. So, we already have the base in all the States and we can gradually go on setting up the system. One of the objectives which is laid down in the Act is that the cloth should be available at cheaper prices. Now, unless I remove a series of intermediaries in between, I cannot achieve this object."

8.25. On being asked whether it was correct that the NTC did not experience any difficulty in selling their products because the climate in the country was largely favourable to textile industry, the Committee were informed as under:—

"Our products have been moving through the markets except during the last three months. But I will not admit that it is because of following the traditional methods of sale. Our experience in the last two or three months has been that we have reduced the prices to the extent of 20 to 30 per cent on our products and by doing so, our losses will be of the order of Rs. 9 crores. But the benefit of this reduction in prices has not been felt by the consumer. There is a reason for this. There are various intermediaries which do not allow the benefits of price reduction to pass on the consumer. By passing all these intermediaries, we can directly give the benefit to the consumer. These intermediaries are holding up the consumer to ransom. In the last two or three months, they have been securing all sorts of reductions from us but the benefit does not go to the consumer."

8.26. The Committee were informed that uptil now, the retail outlets which the Corporation had opened, were retail outlets of individual mills. Now they were opening two big stores in Delhi, one in Super Bazar and another in Karol Bagh, within two weeks where they will be bringing all their best products.

8.27. Asked about their experience of the National Cooperative Consumers' Federation to whom they have to hand over 90 per cent of their production of controlled cloth, the representative of the Corporation stated:—

"As a producing mill we have been judging them only in a very limited fashion, the promptness with which they lift the controlled cloth from our mills and make us the payment. Whether after they have lifted the controlled cloth from us it has reached the consumer is an aspect we have not been going into. Our difficulty is that in the present system of allocation, there is a time lag of about two to three months between the controlled cloth being produced in the mill and the payment for it reaching our mill. We have been bringing it to the notice of the NCCF and the Textile Commissioner that this gap must be reduced because we suffer a considerable loss in producing the controlled cloth and if on top of it we have to hold inventories for two to two and a half months, it is an additional burden."

8.28. During evidence the Committee asked whether Government had any objection if the N.T.C. opened their own shops where they could sell controlled cloth as well as their other products, if possible, through unemployed graduates, the representative of the Ministry of Commerce stated:—

"Basically there cannot be any dispute if the NTC is in a position to distribute a greater part of its controlled cloth output; it could be considered, but two factors have to be kept in mind. One is the financial aspect. It so happens that the cooperative structure has access to the cooperative line of credit all the way down from the Reserve Bank of India. To some extent we are leaning on this line of credit to organise the distribution. The second aspect is the rural distribution aspect. The cost of running a retail outlet, I am told, is quite considerable. The economics is not that good unless we have a big volume of sale so much so that the mills are usually able to open their retail outlets only in urban areas where there is a very heavy turnover and where it is possible to pay six or seven members of the staff etc. If more retail outlets have to be opened by the NTC in the rural areas for a lower volume of turn-over, I think, it is a matter for them to examine whether the economics is all right."

8.29. Asked whether the Government had ensured that the Controlled Cloth was sold only to the weaker sections of the population, low income groups and Jhuggi Jhonpri areas and at regulated prices, the representative of the Department of Civil Supplies stated:—

"At the State level, retail distribution is within the ambit of the State Governments. And for that matter, the National Cooperative Consumer Federation can assist the State Government through State level cooperatives in the process of implementation of the guidelines issued by the Textile Commissioner. But basically it is the State Government that is responsible for implementation of the distribution scheme in the State.

With regard to the movement of the stocks from the mill to the ultimate consignee, I would like to submit that there are two stages in between, the wholesale stage and the retail sales stage. The wholesale stage is the mill from where the entire stock moves. After its delivery to the ultimate consignee, the distribution takes place under the supervision of the District level Committees which have been set up in the various States, in which the District Collectors, Civil Supply Officers and other connected departments are there. We have not received even a single complaint in the NCCF from the State Governments."

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

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

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

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

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

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

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

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

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

IX

EXPORTS

9.1. As mentioned in an earlier chapter of this report, Government have made it obligatory on the part of the industry to produce certain quantities of controlled cloth as well as to export certain quantities. With effect from 1st January, 1973, the export obligation has been fixed at 16 per cent of the products. The scheme was further revised with effect from the 1st October, 1974, and a combined obligation of 30 per cent for production of controlled cloth and exports was imposed on the textile industry.

9.2. The exports of cloth by the Government managed mills during the years 1971, 1972 and 1973 has been as follows:—

Year	Obligation (Million Sq. Metres)	Quantity actually exported (Million Sq. metres)	Value of Export (Rs. in crores)
1971	Nil	30·02	3·8
1972	Nil	66·28	8·7
1973	98·08	118·0	21·9
1974	.	52·6	12·8

9.3. It will be seen that the export obligation of Government managed mills during 1973 was exceeded. According to the Corporation the various varieties of cloth exported by the Government managed mills were: sheeting, long cloth, dyed and printed poplins, towels, terry-towels, carded napkins, sarees, loongies, etc. The important countries to which exports made were: Australia, Bangla Desh, France, Japan, Poland, Singapore, U.K., U.S.A., and U.S.S.R.

9.4. With regard to the future plans of export by the Government managed mills the Corporation stated that a study on the marketing system of products of Government managed mills had been entrusted to the National Council of Applied Economic Research. The report of N.C.A.E.R. was expected shortly. However, the Committee find that in their preliminary report, the

NCAER have made a suggestion that in regard to exports NTC should create a fully owned Marketing Subsidiary known as NTC (International). This subsidiary would be managed by the Director (Marketing) of the National Textile Corporation who would act as its executive vice-president. It should have a fully functional board consisting of three Directors who would be incharge of:

(A) Director Exports sales and import of raw materials, if any.

(B) Director Incharge of Production of export fabric.

(C) Director Incharge garment manufacture.

9.5. The N.C.A.E.R. has also suggested that the export obligation of all the subsidiaries should be taken over by the N.T.C. (I) which should procure orders abroad and requisition required supplies from the existing mills to satisfy those orders. The NTC (International) should during a course of next 4 to 5 years establish a couple of textile units to produce fabric which would be devoted entirely to exports. It has recommended that NTC (International) in collaboration with Regional Subsidiaries should take up large scale garment manufacturing. Also the NTC (International) should arrange for the import needed by NTC and its subsidiaries.

9.6. Asked about the agency through which the Government mills export their products, it was stated that exports are done through approved Export Houses/Merchants who are on the panel of Textile Promotion Council. The voluntary export scheme operated by the Indian Cotton Mills' Federation decided that the export obligation for 1974 be worked out on the basis of either 5.16 square metres per loom shift worked or 16 per cent of packed production in sq. metres of the mills taking the loom working. The period for calculating this has been taken from July, 1973 to June, 1974. Under this scheme, the obligation of the Government mills for the year 1974 would stand at approximately 90 million sq. metres of exports.

9.7. The voluntary export obligation operated by the ICMF stands closed w.e.f. 30th June, 1974. In other words the obligation on pro-rata basis for the Government mills for the period January to June, 1974 would work out to approximately 45 million sq. metres. Against this the Government mills have exported 28.4 million sq. metres valued at Rs. 6.83 crores. As per the figures supplied by the Mills, the exports done by the Government mills for the period July-September, 1974 was of the order of 7.5 million sq. metres valued at Rs. 2 crores. Thus the exports made by the Government mills during the period January-September, 1974 works out to approx. 36 million Sq. metres valued at Rs. 9.00 crores approximately.

9.8. As regards increase in exports as a result of the modernisation of the mills, the Committee were informed during evidence by the representative of the Corporation as under:—

"We also made an assessment regarding exports. In some of our programmes, we also included it both in the loom-stage as well as yarn stage to see whether we can improve the export performance of certain qualities. Out of the 11 mills, 8 have completed modernisation and three are almost on the verge of completing modernisation. I have taken the figures of export of these mills. In fact, New Bhopal Textile Mills, Madhya Pradesh, increased their exports from a level of 1.36 lakh metres in 1971 to 15.32 lakh metres at a value of Rs. 29.95 lakhs in 1973. Swadeshi Mills, increased their exports from a level of 36.65 lakh metres in 1971 to 56.10 lakh metres in 1973. In the initial stage, in terms of both production and exports, the first phase of modernisation, has paid dividends."

9.9. The representative of the Corporation stated during evidence that though one of the objectives of the National Textile Corporation was to set up new export-oriented mills, due to the large number of units which they had to rehabilitate and modernise, it was considered by Government to devote all attention to their rehabilitation instead of starting fresh units in the Fifth Plan. The Corporation stated that after they had organised these mills, it was quite possible that they might start some fresh mills.

9.10. Asked whether the mills get any cash assistance subsidy from the Government or the Indian Cotton Mills' Federation on export of Cotton Textiles, the Corporation in a written note stated:—

"Cash assistance equivalent to 5 per cent of the value was allowed for exports, over and above this depending upon the distance upto an extent of 3 per cent. From 1st July, 1974, 5 per cent cash assistance has been discontinued by the Government. All these subsidies were routed by the Government through I.C.M.F."

9.11. As regards the effect of the levy of an Export Promotion Fee charged by Indian Cotton Mills Federation on the working of NTC mills, the Management in a written reply stated:

"As per the policy of ICMF, NTC Mills were expected to contribute Rs. 1.19 crores during 1973 and Rs. 0.32 crores during January-March, 1974 as spindle and loom levy. As against this the NTC mills are likely to derive benefit to the extent of Rs. 1.10 crores during 1973 and 0.19 crores during January-March, 1974. The benefit has been worked out by 5 per cent on the total value of exports during the periods mentioned above. Thus it can be seen from the above that as against the payment of Rs. 1.51 crores which the NTC mills would be paying to ICMF, the ICMF in turn will be giving back to the NTC Rs. 1.29 crores only. Therefore, there will be a loss to the extent of Rs. 0.22 crores. The I.C.M.F. has stopped collecting spindle and loom levy with effect from 1-4-1974."

9.12. Asked about the proposal to set up of a separate Subsidiary Corporation for Exports, the Corporation stated:—

"The overall marketing strategy of the NTC will be formulated after the National Council of Applied Economic Research has submitted its final report. In regard to the exports also, the NCAER is expected to make certain specific recommendations. However, a proposal to have a separate Export Division is under consideration of NTC and at this stage there is no decision taken to set up a separate Subsidiary Corporation for export of textiles."

9.13. The Committee pointed out that the credit policy announced by the R.B.I. on 29th October, 1974 emphasised that there should be no slackening of export effort and that the special requirements of export credit should continue to be accorded higher priority and asked the Corporation's views about the current credit policy of the R.B.I. vis-a-vis export of textiles by the nationalised mills.

9.14. The Corporation in a written note stated:—

"In the past also, Reserve Bank of India had given instructions to the Banks to provide separate export credit upto the packing point and each bank is to get this amount refinanced from Reserve Bank of India. This refinancing facility has been stopped since last October by the Reserve Bank of India. Although it has been emphasised that there should be no slackening of export efforts, the Banks are reluctant to give any special credit facilities because of which the liquidity position of the mills is adversely affected."

9.15. The following penalties were prescribed for non-fulfilment of the obligations in respect of production of controlled cloth and cloth for export:—

(a) A penalty of Rs. 2.50 per metre was prescribed for non-fulfilment of the obligation to produce a minimum of 24 per cent of the output in the controlled categories of cloth. The obligation to export was retained at 16 per cent and the penalty rate for the non-fulfilment of this obligation kept at Rs. 0.30 per sq. metre. Inter-mill transfer of obligation in respect of exports and controlled cloth was, however, allowed, making for "Sale" of the obligation at a price (to be determined by transferee and transferee mills).

(b) A set off of 1 metre of controlled cloth for every 3 metres of cloth exported over and above the mills' obligation of 16 per cent was allowed.

9.16. In partial modification of the above, from 1st October, 1974 the control and exports obligations have been amalgamated with a combined obligation of 30 per cent of the mill production and penalty of Rs. 2.50 per sq. metre for non-fulfilment; and the rebate in controlled cloth obligation is allowed at the rate of one metre of controlled cloth for export worth Rs. 5/- f.o.b. in respect of piece goods and Rs. 7.50 f.o.b. in respect of garments.

9.17. Explaining how the present combined obligation of 30 per cent was to the disadvantage of the NTC mills, the Corporation, in a written note submitted to the Committee, stated that "...... immediately after the penalty for non-fulfilment of the controlled cloth obligation was increased from Rs. 1.0 to Rs. 2.50, the affluent mills, represented in the Indian Cotton Mills' Federation, took up the question of increase of penalty from 30 paise per metre to Re. 1 per metre of non-fulfilment of export obligation. As the burden of this increase was likely to fall again on the weaker mills, this policy was resisted on behalf of the National Textile Corporation in the I.C.M.F. It was at this stage that the present scheme of combined obligation of 30 per cent was initiated by I.C.M.F. Under this scheme the penalty imposed for the non-fulfilment of controlled cloth, of Rs. 2.50 per metre automatically became applicable to the export elements in this combined obligation. The affluent mills with greater export capacity were thereby able to achieve the increase in the rate of penalty for non-fulfilment of export obligation, from a level of 30 paise per metre to Rs. 2.50 per metre. Another benefit secured by these mills was an offset of their controlled cloth obligation on the unit F.O.B. value of Rs. 5 on exports......As the machinery in the sick mills is quite obsolete, it is hardly possible for these mills to producc good quality cloth which may fetch export market......It is necessary to highlight the fact that while in the production of every metre of controlled cloth, there is a loss of Rs. 1.40 per metre, there is no such fixed loss in the case of exports per metre. The advantages available to affluent exporting mills under these schemes, enable them to quote their cloth at competitive prices....This policy results in the weaker mills fulfilling the important social obligation of controlled cloth at a loss, while the exporting mills escaping this social obligation and making profits on exports. The following suggestions are, therefore, made:—

(i) The present combined obligation scheme should be replaced by the original scheme of 24 per cent controlled cloth and 16 per cent export obligation.

(ii) The penalties for non-fulfilment of controlled cloth and exports should be brought to the level at which these were before the combined obligation scheme was put into operations, i.e. Rs. 2.50 per metre for non-fulfilment of controlled cloth and Rs. 0.30 per metre for non-fulfilment of export obligation."

9.18. The Committee note that under the export obligation scheme, in 1973 the NTC mills exported 118 million sq. metres of cloth which was more than their obligation of 98 million sq. metres; in 1974 they could, however, export only 52.6 million sq. metres. Though the NTC has not yet been able to open new export-oriented mills, which is one of its objectives, the Committee are glad to note that the first phase of modernisation of eight mills has started paying dividends in terms of higher exports. The Committee stress that the modernisation schemes should be implemented expeditiously so that the mills may be in a position to step up their production and improve exports. The Committee understand that a study on the marketing system of products of Government-managed mills had been entrusted to the National Council of Applied Economic Research which is expected to make specific recommendations in regard to exports also. The Committee, however, find from the preliminary report given by the NCAER, that the NCAER has suggested the creation of fully owned Marketing Subsidiary known as NTC (International) to be managed by the Director (Marketing) of the NTC and its board should have three directors viz. Director, Exports sales and import of raw materials if any; Director Incharge of Production of export fabric and Director Incharge garment manufac-

ture. The NCAER have also suggested that during a course of next 4 to 5 years the NTC (International) should establish a couple of textile units to produce fabric devoted entirely to exports and NTC (International) should take up large scale garment manufacturing in collaboration with regional subsidiaries. The Committee are informed that as soon as the final report is received the Corporation would be taking a decision as to how the exports are to be organised. The Committee would, however, recommend that NTC should consider exporting their products directly on their own rather than through private merchants.

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

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

X

FINANCIAL MATTERS

A. Financial Position

10.1. The NTC was set up in 1968 with an authorised capital of Rs. 10 crores which was subsequently raised to Rs. 15 crores. The Board of Directors of the Corporation at its meeting held on 23rd August, 1974 considered the question of increasing the authorised and paid up capital of the Corporation in the light of the requirement of funds in the Fifth Five Year Plan and to allot shares to Central Government in consideration of assets if transferred to NTC in the eventuality of nationalisation of 103 Sick Textile Undertakings. The Board after considering the matter in detail decided to approach the Government for increasing the authorised capital from Rs. 15 crores to Rs. 75 crores for the present. The Ministry of Industrial Development have in September, 1974 communicated the approval of the President, to the increase in the authorised capital of the Corporation from Rs. 15 crores to Rs. 75 crores.

10.2. The table below summarises the financial position of the Company under broad headings for the last 3 years.

(Rs. in lakhs.)

LIABILITIES	1971-72	1972-73	1973-74
(a) Paid up Capital . . .	587·50	883·95	1127·50
(b) Reserves & Surplus	18·60	45·03	76·81
(c) Borrowings			
(i) From Bank Cash Credit	58·89	213·82	209·51
(ii) From Government of India .	777·34	1184·34	1403·77
(d) Trade dues & other current liabilities (including provisions)	53·12	87·35	149·29
TOTAL . .	1495·45	2414·49	2966·88

(Rs. in lakhs)

ASSETS	1971-72	1972-73	1973-74
(e) Gross Block	2·40	6·17	8·76
(f) Less Depreciation	0·29	0·98	1·76
(g) Net fixed assets	2·11	5·19	7·00
(h) Current Assets, Loans & Advances	1493·34	2408·78	2959·62
(i) Miscellaneous Expenditure	..	0·52	0·26
	1495·45	2414·49	2966·88
Capital Employed	1442.33	2326·62	2817·33
Net worth	606·10	928·46	1204·65

NOTE :— (i) Capital employed represents net fixed assets plus working capital.

(ii) net worth represents paid up capital plus reserves less intangible assets.

Capital Structure

Debt equity ratio was 1.32:1 in 1971-72, 1.34:1 in 1972-73 and 1.25:1 in 1973-74.

Working Results (NTC)

10.3. The income of the Company arises mainly from interest on loans to Textile Mills and service charges on cotton sales. The working results of the Company for the last three years are tabulated below:—

(Rs. in lakhs.)

	1971-72	1972-73	1973-74
(a) *Income*			
Interest	75·80	157·65	223·25
Service Charges	1·54	1·80	1·96
Miscellaneous Income	1·51	2·89	2·38
	78·85	162·34	227·59
(b) *Expenditure*			
Interest	32·89	71·24	106·65
Admn. & Estt. Expenditure	13·02	28·26	44·16
	45·91	99·50	150·81
(c) Profit before tax	32·94	62·50	77·11
Tax provision	19·00	36·42	45·00
Profit after tax	13·94	26·08	32·11

(d) Percentage of Profit before tax to			
(i) Equity Capital	5·6	7·1	6·8
(ii) Capital employed.	2·3	2·7	2·7

10.4. During evidence the Committee asked about the reasons for sharp increase in expenditure on the Administration and Establishment of the Corporation, the Managing Director stated:—

"In the month of October, 1972, an ordinance was issued for taking over 46 undertakings. So the number of units directly managed became 103 by October 1972. The increase in staff and establishment charges was on account of these large number of units. The second increase took place in 1974 because of revision of pay scales in the light of Pay Commission's recommendations. We, in the Corporation, are following exactly the Government scales and other things. This also contributed towards that increase for a period of about one year or so. We have not been filling up many posts which are there. In the wake of nationalization, the pattern of organization may indicate a certain amount of changes and these regional offices may not be required. So, for these reasons, we have not been filling up the posts. The Act regarding nationalisation had been passed only last month and the whole structure, at present, is under review and we will be winding up our regional offices also. After these subsidiary corporations are formed, we will have another look at this."

10.5. Asked about their comments on increase in the expenditure on the Administration and Establishment of the Corporation, the representative of the Ministry stated:—

"The Action Committee had given certain organisational patterns for headquarters/areas and for subsidiary corporations. So far as headquarters areas are concerned, those things are being implemented. But in the case of these corporations, they will also do it. The Action Committee says that it will be implemented both at the headquarters level as well as at the subsidiary corporations level. So far as labourers are concerned, in each mill we have found out that there is a marginal surplus. We have drawn up voluntary schemes in agreement with the labour union. We want to absorb those marginal surplus labourers by our schemes of expansion and modernisation rather than retrenchment."

10.6. Regarding the steps taken to increase the profitability of the Corporation, the Ministry in a note after the evidence stated as under:—

"The profits of the National Textile Corporation arise on account of the income for various services rendered by the Corporation to the nationalised mills. The Corporation gives loans to the mills at a higher rate of interest compared to what it pays to the Government on the loans taken for the purpose. As the mills are not in a position to pay higher rate of interest, these rates of interest cannot be increased and hence the Corporation will have to be content with the present rate of profitability. A higher profitability will have to be aimed at in the working of the subsidiaries which will be operating the mills. This objective is likely to be achieved with the introduction and implementation of a new costing system, modernisation programmes and achievement of higher production."

Working Results (Mills)

10.7. When the NTC was set up in April, 1968 there were 16 mills in the country which were run under Government management. This figure rose to a level of 31 in March, 1971, 47 in March, 1972 and 103 in October, 1972.

The table below gives the profit/loss position of the mills for the years 1970-71 to 1973-74:—

	As on	Total No. of Mills taken over	Loss (Rs. crores)	Profit (Rs. crores)
From the date of takeover	31-3-1971	31	18·75	
Year ending	31-3-1972	47	7·44	..
Year ending	31-3-1973	103	..	1·38 (for 80 running mills)
Year ending	31-3-1974	103		18·37 (for 96 running mills)

All figures provisional

10.8. Out of the total cumulative loss of 26.19 crores upto 31st March, 1972, Rs. 18.72 crores were the losses incurred by 4 mills viz. India United Mills, Bombay, Digvijay Spg. & Wvg. Mills, Muir Mills and Sri Bharathi Mills, Pondicherry. All these units were taken over by the Government earlier than the inception of NTC.

At the end of March, 1973, 103 mills were taken over under Government management of which 80 mills were in production. The net operational results during that year on the operations of these mills was a net profit of Rs. 1.38 crores. During the year ended March, 1974, the 96 mining mills earned a profit of Rs. 18.37 crores. (Prov.).

10.9. It would be seen from the table that from a level of Rs. 18.75 crores loss upto March, 1971, the Corporation has been able to turn the corner and reduce the carry-over losses to Rs. 6.44 crores as on 31st March, 1974 by earning Profits of Rs. 19.75 crores in the years 1972-73 and 1973-74. The operations in the first two months viz. April and May, 1974 as per the provisional figures available have generated Rs. 3.78 crores of net profit. With this trend continuing, it is anticipated that the carry-over losses referred to above would be wiped out during this year and the mills would come to an over-all net profitability position by the end of March, 1975. Some of the main reasons for incurring losses by the mills after the take over are enumerated below:—

(i) Some of the mills have remained closed even upto 9 years prior to take-over by the Government. The plant and machineries in most of the mills are as old as 30 to 70 years. Due to poor condition of machineries, they could give only 50 to 60 per cent of their productivity.

(ii) Due to historical reasons, the closed mills have to be taken over by Government as relief undertakings. These mills had excess labour force on their roll and they had to be employed after take-over also. In some of the mills the labour complement in the spinning section is as high as 11-12 workers per 1000 spindles as against normal level of 5-6 workers. Similarly in weaving, the labour complement is found to be very high (80 workers per 100 looms) as compared to the normal complement of 50 workers.

(iii) There has been a constant rise in the wage rates paid to the workers on account of increase in D.A. rates etc. The average wage cost as a percentage to the total cost for spinning mills has increased from 10 to 18 per cent and that for composite mills from 18 to 28 per cent.

(iv) The cotton cost forms 50 per cent of the total cost of production. Due to machine inefficiency and consequent higher waste the raw material cost has increased by 5 per cent more. Besides the prices of cotton itself have gone up, especially from January 1974 by 40 per cent and during the last one year by 80 per cent.

(v) Mills in some of the States have to face severe powercut ranging from 25 to 60 per cent. Besides in West Bengal, the mills were affected by frequent load sheddings and full wages have to be paid for the idle hours instead of lay off compensation.

(vi) Due to certain difficulties in providing guarantees in respect of mills taken over under the Sick Textile Undertakings (Taking over of Management) Act, bank advances were not available. Moreover as a result of severe credit squeeze introduced from October 1973, the mills are facing shortage of working finance.

(vii) Mills at the time of take-over had heavy past liabilities on which provision for interest has to be made. Further the Mills are provided funds for working capital and modernisation after take-over in the form of loans. The interest burden worked out to 6½ per cent as against the normal burden of 3 per cent.

10.10. Explaining the causes for incurring of losses by the four mills, namely, India United Mills, Digvijay Spg. & Wvg. Mills, Munir Mills and Sri Bharathi Mills the representative of the Corporation stated during evidence:—

"In so far as India United Mills, Bombay, is concerned, this is the biggest mill that we have in this country. There it is a problem of higher labour cost and low productivity. All that we hope is that with this Rs. 5 crores which we are spending on modernisation, when that is implemented, it will reach a level where we can make profit. Similar is the case with Digvijay Spg. & Wvg. Mills. We have done not only first phase modernisation scheme programme, but we have also installed about 144 automatic looms. Now, we have made a special programme for bringing in preparatory machinery. In the beginning of 1974, it had started turning the corner. On an average, it has started showing profit Rs. 3-4 lakhs.

Then there was power cut. At present, the mill is working only in five shifts per week. We went to the State Electricity Board and bought three diesel power generator sets. Two of them have been commissioned. As a result of this, there has been an improvement to the extent of 20-25 per cent as far as power is concerned. This is the problem that this mill is facing.

As far as Sri Bharathi Mills is concerned, there was as recommendation under CTC Act in 1970-71 that this mill should be liquidated. Ultimately this was reconsidered and again in 1970-71, Government changed its view. It was stipulated that it should be liquidated according to the old CTC Act and the restriction procedure should be followed. In fact, the case is still pending with the court. We have also got the comments of the shareholders. We have already sanctioned Rs. 1 crore for modernisation of Sri Bharathi Mills. We want to implement it. Last year, their performance was very good. Last year, they also made profit."

10.11. Asked as to the number of mills which were lying closed or running at loss at the time of their take over and how many showed profits in subsequent years, the Corporation in a written note stated that in most of the cases, the accounts had not been prepared for a number of years. In those cases, where the accounts had been prepared, the balance sheets were not available. As such, it was not possible to give figures of details of the mills which were running at a loss at the time of take over and out of those how many started making profits or losses during subsequent years.

10.12. However, the working results of the mills taken over, for the years 1971-72, 1972-73 and 1973-74 are as below:—

	1971-72		1972-73		1973-74	
	No. of Mills	Amount	No. of Mills	Amount	No. of Mills	Amount
						(Figures in lakhs of Rupees)
Mills making profits	11	(+)57·04	44	(+)482·30	73	(+)1983·81
Mills making losses	27	(—)800·70	42	(—)343·97	22	(—)147·06
TOTAL .		(—)743·66		(+)138·33		(+)1836·75

10.13. The Committee enquired whether the profits shown by the mills were not as a result of the boost in the trade process of textiles. The Corporation stated:—

> "the profitability was Rs. 138 crores in 1972-73 and during 1973-74, it was Rs. 18 crores. The Yarn Control Order was in existence during 1973, but for which the mills should have made Rs. 9 crores extra profit. In fact, the ratio of profitability during these two years was calculated at 1:11. During 1973, my average realisation per metre of the product was at Rs. 1.90. We have been able to get, upto August 1974, Rs. 2.45/ metre. With this escalation and with the escalation in manufacturing costs, we can say that there have been trading profits as well as overall improvement. There has been a 10-fold increase. During 1971, I had produced 4.1 million kgs. of market yarn and in 1973, 45 million kgs."

10.14. In this connection, the Ministry stated that a part of the profit achieved in these mills was certainly on account of the boost in the trade prices of texiles. However, the better management of the mills, higher utilisation of capacities and implementation of modernisation programmes had also been contributory factors.

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

10.16. The Committee also note that while the working results of the Corporation, as such, showed a profit (after tax) of Rs. 13.94 lakhs in 1971-72, Rs. 26.08 lakhs in 1972-73 and Rs. 32.11 lakhs in 1973-74, the mills taken over by the Corporation incurred a loss of Rs. 18.75 lakhs from the date of take-over till March, 1971 (in respect of 31 mills) and the cumulative losses rose to Rs. 26.19 crores till the end of March, 1972, when the number of mills rose to 78. The Mills have been able to turn the corner since then and have reduced the carry-over losses to Rs. 6.44 crores as on 31st March, 1974 by earning profits of Rs. 1.38 crores in 1972-73 for 80 running mills and Rs. 18.37 crores in 1973-74 for 96 running mills. The Committee are constrained to note that at the time of take-over of the mills, in most of the cases the accounts had not been prepared for a number of years and even in cases the accounts had been prepared, the balance sheets were not available. The Committee are not sure whether any action has been taken against such defaulting mills for this and state of affairs. The Committee would like to be informed of the action taken to reconstruct those accounts at least now with a view to ascertaining the correct financial position of the mills so that the Corporation may take suitable remedial action to improve the Financial position.

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

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

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

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

B. System of Accounts and book-keeping

10.21. In their supplementary Audit Report for 1972-73 the Statutory Auditors have pointed out that no action had been taken so far to draw up an Accounts Manual laying down the detailed accounting procedures and specifying the financial powers, duties and responsibilities of the various officers of the Company.

10.22. During the course of their visit to the Regional Offices i.e. Bombay and Bangalore, the Auditors observed that services of well qualified, highly paid staff like Chartered Accountants were not properly utilised i.e. they were sitting idle or were put to clerical works like writing of petty cash book etc. This indicated that the highly paid staff was recruited without proper planning and administrative control.

10.23. In this connection, the Corporation in written note stated:—

"(a) Steps taken in the early part of the financial Year 1974-75 to prepare Accounting Manual. A few chapters have already been compiled up. However, in view of the pending nationalisation, at that time the preparation of Accounting Manual was suspended to include new procedure which may be necessary after nationalisation.

(b) As regards Western Region Office, Bombay it is stated that they have two Chartered Accountants holding the post of Senior Financial Appraiser and Inspection Officer (Finance) respectively. Senior Financial Appraiser in the Regional Office in addition to his duties is also given the responsibility of administration of the whole office, which otherwise would require the services of a qualified Administrative Officer. Similarly, Inspection Officer, (Finance) in addition to his normal duties, has also been requested to supervise the Accounts Section. Moreover after nationalisation the Regional Offices have been wound up/are being wound up."

C. Internal Audit

10.24. In their Supplementary Audit Report for 1972-73 the Statutory Auditors pointed out that in the absence of effective Internal Control over Head Office, Regional Offices and Cotton Purchase Scheme, there were many short comings and violation of the terms of agreements. No proper internal Audit Control were introduced since the incorporation of the Company in spite of sanctioned posts for Internal Audit Cell. The Internal Audit Manual, already drawn should be fully implemented to keep regular check over accounts of the Corporation and that under Cotton Purchase Scheme.

10.25. Asked as to why the Corporation had not introduced internal audit in spite of the sanctioned posts for Internal Audit Cell, the Corporation, in an written note stated:—

"The question of setting up an effective Internal Audit Division in the Corporation has been engaging the active attention of the Corporation for quite sometime past. A detailed scheme was drawn up laying down the functions of the Internal Audit Division which envisaged a scheme of total audit with particular emphasis on performance audit. The scheme also provided for a suitable organisational structure to carry out these functions. A committee consisting of the Technical Adviser, F.A. & C.A.O., Joint Director (Planning) and Chief Internal Auditor was also appointed to go into this Scheme and to submit their detailed report for the consideration of the Board of Directors of the Corporation. At this stage the question of nationalisation of Gvernment managed mills became a very live issue and it was therefore considered by the Corporation that it would be premature to lay down any organisation for the Internal Audit Division till such time as the Organisational structure of the Corporation became clear consequent on the nationalisation of all the Government managed mills and the formation of Subsidiary Companies etc. In view of this position, this matter was deferred till nationalisation. Since nationalisation has taken place, steps are being taken to organise internal audit team."

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

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

XI

INVENTORY CONTROL

11.1. The estimated quantity and value of finished goods and cotton with the mills at the end of 1972-73, 1973-74 and September, 1974 are given below:—

	March 1973		March 1974		September, 1974	
	Qty. Million.	Value Rs. Cros.	Qty. Million	Value Rs. Cros.	Qty. Million	Value Rs. Cros.
1. Market Yarn (Qty. in KG.)	1·77	2·04	2·51	4·38	4·19	7·89
2. Cloth (Qty. in Metre). .	98·64	20·59	122·89	24·03	150·34	37·26
3. Cotton (Qty. in Kg.) . .	27·45	17·73	33·35	29·59	24·47	26·36
4. Number of mills working . .	80		96		96	

11.2. Asked whether the inventory of goods and spares with the mills also included any quantity which was considered obsolete or unsaleable, the Corporation in a note after the evidence stated:—

> "The inventory of goods and spares with the mills includes some obsolete and unsaleable items. As a matter of fact, carrying of obsolete and unsaleable items in any industry cannot be avoided. There is no significant increase in obsolete and unsaleable items. The mills have been told to dispose of the obsolete and unsaleable items by circulating a list of such items to all the mills so that these items can be used by any other Mill. The items would be disposed of within the organisation as far as possible."

11.3. To a question whether any maximum/minimum limits for the inventory of Stores/spares etc. had been fixed so that action may be taken for replenishment of the stores in time, the Corporation, in a written reply, stated:—

> "The mills are generally having maximum and minimum limits for the inventory of stores and spares. Action is being taken to introduce Cardox System for maintenance of Stores records which would help the mills in managing the inventory control."

11.4. Regarding disposal of obsolete textile machinery by the Mills, the Corporation in a written reply stated as under:—

> "NTC has already formulated details of procedure to be followed for the disposal of obsolete textile machinery by Government mills and these details had been circulated to all the mills. To the extent possible the mills are to sell the redundant machines within the Government mills itself if there is immediate need for the other mills to buy. So far machinery/items of work worth about Rs. 10 crores has been completed in the Government mills. As such, no large scale disposal of machinery among these mills had taken place. The Corporation has also not received any complaints about any of these transactions."

11.5. During evidence, the Committee enquired whether NTC had examined the question of selling the looms of the scrapped mills to ex-workers in the interest of rehabilitating them. The Managing Director replied:

> "We will certainly examine your suggestion."

11.6. The Committee note that the inventory of market yarn with the mills has arisen from 1.11 million kgs. in March, 1973 to 2.51 million kgs. at the end of March, 1974 and 4.19 million kgs. by the end of September, 1974 thus indicating that the inventory of yarn has almost doubled itself during March and September, 1974. The Committee see no reason why there should be accumulation of market yarn with the Corporation while there is a shortage of yarn in the decentralised sector. The Committee feel that the Corporation should arrange to meet the needs of yarn in the decentralised sector and reduce its inventories keeping in view their own requirements.

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

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

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

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

XII

LABOUR RELATIONS

12.1. In their Report on National Textile Corporation, the High-Powered Committee, from a study of 24 mills, which accounted for a total capacity of 1.03 mills spindles, 19,787 looms and 78,662 workers on roll, observed as follows:—

> "Provision of employment to those rendered unemployed by closure of sick mills being a main consideration for their take over, a measure of its impact is the extent to which the former workers have been employed. As against total labour force of 78,662 on rolls prior to take over, 59,183 workers or nearly 75 per cent have been employed at present. In three of the mills, the number of workers employed exceeds the number on rolls prior to take over. Among the others, in 3 the employment is between 90 and 100 per cent in 5 between 80 and 90 per cent. in 6 between 70 and 80 per cent, in 4 between 60 to 70 per cent and in the remaining three below 60 per cent. The overall pattern of present employment is that 34 per cent of the labour is employed in spinning departments, 41 per cent in weaving departments and 8 per cent in processing departments. Except in two cases, wages and dearness allowances are paid as per normal rates prevalent in the respective regions."

The above-mentioned Committee also observed:—

> "Employment of labour in the mills is also on the high side. For example, from the details of the actual number of operatives per 1000 spindles employed by individual mills it is seen that the standard average has been exceeded by about 15 per cent in one unit, 30 to 50 per cent in 9 unit and by 75 per cent to 100 per cent in the remaining 5 units."

Labour Rationalisation Scheme

12.2. One of the problems faced by the NTC at the time of take over of the Sick Textile Mills was the higher employment of labour in these mills. To deal with the problem of surplus labour, the N.T.C. evolved a Scheme of Rationalisation of Labour in these mills. The Scheme was purely voluntary in nature and there was no compulsion in it. Under this scheme, if any worker want to voluntarily retire, he gets full payment of retrenchment and gratuity compensation and other normal benefits. In addition, the Scheme provides for retrenchment compensation to the extent of an average of Rs. 3,000 per worker. This Scheme has so far been approved for implementation in respect of 24 mills. Out of this, the Scheme has already been implemented in 7 mills. An amount of about Rs. 20 lakhs has been paid as compensation to workers in these 7 mills, who have voluntarily retired under this Scheme. A provision of Rs. 50 lakhs has been made for this Scheme during the Fifth Plan period.

12.3. In this connection, the Ministry, in a note after evidence, informed the Committee as under:—

> "It is a fact that the labour complement in most of the Government managed mills has been higher in relative terms compared to other textile mills. This was a legacy inherited from the past, since at the time the management of these mills was taken over by Government, in most cases, there was surplus labour on the rolls. In fact, one of the reasons for take over of management of these mills was to provide continued employment and, therefore, it has not so far been possible to reduce the strength in any significant measure. However, the Corporation is implementing, in stages, a voluntary labour rationalisation scheme which provides for retrenchment of workers in consultation with their representatives. It is also expected that as a result of implementation of modernisation and expansion programmes some of the surplus labour would be gainfully employed.
>
> In regard to labour productivity norms, National Textile Corporation mills follows the pattern stipulated in different States under various Awards operative for such States e.g. in Bombay the work load has been fixed by the Bombay Award. Similarly norms have been prescribed by the Textile Labour Association Ahmedabad, for the Gujarat mills and by the Sampurnanand Award for Uttar Pradesh Mills."

Workers' Participation in Management

12.4. Asked about the action taken by the NTC to implement the recommendations of the Committee on Public Undertakings, pertaining to Workers' participation in Management contained in teir 17th Report (5th Lok Sabha) on 'Personnel Policies and Labour Management Relations in Public Undertakings', the Corporation in a note stated:—

> "The NTC is aware of the recommendations made by the Committee on Public Undertakings about the Workers' participation in Management. So far as NTC Mills are concerned, the workers' representatives are generally consulted on various matters concerning the working of the mills. But this consultation is on an informal basis. Recently this matter came up for discussion in Parliament during the debate on the Sick Textile Undertakings (Nationalisation) Bill, 1974. The stand taken by the Government in the Parliament was that this matter was engaging the attention of the Government at the highest level. The NTC would be guided by the Government decision on this."

12.5. Subsequently during evidence the Chairman, NTC stated that in all the 103 mills the relationship between the management and the workers, by and large, had been very good.

12.6. During evidence, the representative of the Ministry informed the Committee as under:—

> "Of course, in running these mills, we want the cooperation of all the workers. Now, the question is that we have to see in what way these workers can be associated in the management, and in what type of undertakings and under what circumstances. That, of course is certainly a desirable thing. I don't think there is any uniform policy in this regard. In some mills, workers are associated with shop level. But in so far as the board level is concerned, we have not admitted them."

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

1,000 spindles employed by individual mills, it was observed that the standard average had been exceeded by about 15 per cent in one unit, 30 to 50 per cent in 9 units and by 75 per cent to 100 per cent in the remaining 5 units.

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

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

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

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

XIII

CONCLUSION

13.1. The National Textile Corporation Ltd. was originally set up with the main objective of managing the affairs of sick textile undertakings taken over by the Government, rehabilitate, modernise and expand them and also to set up new mills, subject to availability of resources. Consequent on the enactment of the Sick Textile Undertakings (Nationalisation) Act, 1974, the preamble of the Act enjoins upon the National Textile Corporation to reorganise and rehabilitate the 103 sick textile undertakings acquired by Government and transferred to it for management so as to subserve the interests of the general public by the augmentation of the production and distribution, at fair prices, of different varieties of cloth and yarn and for matters connected therewith or incidental thereto.

13.2. During the course of examination of the working of the NTC, the Committee have found that:—

(i) The 103 sick mills which have now been nationalised have been divided into nine groups and their management has been entrusted to nine regional subsidiary corporations of the NTC. NTC would now be an apex body playing a co-ordinating and supervisory role and the subsidiary corporations would be the profit centres having considerable autonomy in their functioning;

(ii) Modernisation programmes in respect of 82 mills, involving an outlay of Rs. 49.29 crores, have been approved by the Corporation till 31st December, 1974. The modernisation plans have been conceived in two phases. The first phase of renovation and replacement of useless spindles, etc. is under implementation and has so far been completed in 8 mills and in terms of both production and exports, the first phase of modernisation has paid dividends.

(iii) the implementation of the first phase of modernisation programmes, the machine productivity of the composite mills has gone up from 60—65 per cent to 75—85 per cent and in the case of certain mills in Tami Nadu, which are working for 7 days a week, the machine productivity has gone up as high as 100 per cent to 125 per cent.

(iv) during the fifth five year plan, the Corporation has drawn out a scheme of expansion of 41 units which are having less than 25,000 spindles to make them viable. In 10 spinning units, the number of spindles is less than 10,000 and these are the first category of non-viable units.

(v) the capacity utilisation in the NTC mills in the first two shifts in spinning as well as weaving is of the order of 74 per cent to 76 per cent (spinnig) and 84 per cent (weaving) as compared to the national average of 74 per cent to 76 per cent (spinning) and 80 per cent to 84 per cent (weaving), in 1972 and 1973. In the third shift, the capacity utilisation in spinning section of the NTC mills at 67 per cent compares favourably with the national average of 68 per cent to 70 per cent.

(vi) the NTC mills have fulfilled their obligation of 30 per cent production of controlled cloth.

(vii) under the export obligation scheme, in 1973 the NTC mills exported 118 million sq. metres of cloth which was more than their obligation of 98 million sq. metres in 1974 they exported 52.6 million sq. metres. Though the NTC has not yet been able to open new export-oriented mills, which is one of its objectives, the first phase of modernisation of eight mills has started paying dividends in terms of higher exports.

(viii) to deal with the problem of surplus labour in NTC mills, the NTC has evolved a scheme of rationalisation of labour in its units under which if any worker wants to voluntarily retire, he is given certain compensation and certain other benefits. The scheme has been approved for implementation in 24 mills.

(ix) as on 31-3-72 the cumulative losses of the sick mills taken over by NTC had risen to Rs. 26.19 crores. As a result of the various measures taken by NTC, the mills have been able to turn the corner since tehn and have reduced the carry over losses to Rs. 6.44 crores as on 31-3-74 by earning profits of Rs. 1.38 crores in 1972-73 and Rs. 18.37 crores in 1973-74.

13.3. The Committee, however, find that—

(i) the Corporation was facing certain difficulties in getting textile machinery for carrying out the modernisation programmes in the mills for which the total requirements of machinery during Fifth Five Year Plan would be of the order of Rs. 100 crores.

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

(iii) large orders were placed by the private sector to take advantage of certain tax concessions extended by Government due to which the machinery manufacturers had orders booked for a period of delivery covering 3 to 8 years i.e. upto 1980-81.

(iv) though according to the guidelines issued by the Government, the NTC was to purchase cotton from the Cotton Corporation of India, the NTC had not till last year been able to buy its full requirements of cotton from C.C.I.

(v) the estimated consumption of cotton by the 103 NTC mills would be of the order of 14 lakh bales per annum. Though the NTC would like to purchase the entire requirements from CCI, the latter is not in a position to supply the entire quantity to NTC mills.

(vi) it was only in January, 1975, after the examination of the two Corporations by the Committee on Public Undertakings have reached an agreement on the terms and conditions of purchase of cotton.

(vii) because of certain technical constraints, like the condition, of the plant and equipments, 87 per cent of the total production of NTC mills consisted of medium 'A' and medium 'B' varieties and only 13 per cent consisted of higher varieties.

(viii) Government have not gone into the working of each of the mills nor conducted any survey with a view to reduce the number of varieties of cloth to cater to the needs of the common man.

(ix) the controlled cloth scheme was revised with effect from 1st October, 1974 and combined obligation of 30 per cent and a penalty of Rs. 2.50 per sq. metre for non-fulfilment has been imposed on the textile industry with reference to the controlled cloth production and exports. As the machinery in the sick mills under NTC was quite obsolete, it was hardly possible for those mills to produce good quality cloth for exports and the policy had resulted in the weaker mills fulfilling an important social obligation of production of controlled cloth at a loss and the exporting mills escaping this obligation and making profits on exports. In other words the Corporation has been indirectly financing the incentive which is given to the exporting mills and incurring more losses.

(x) in the third shift, in weaving section, the performance of the NTC mills is as low as 26.7 per cent as compared to the national average of 44 per cent to 52 per cent in 1972 and 1973 due to lack of automatic looms, balancing equipment and preperatory machines.

(xi) apart from the lack of suitable machinery, the main constraints in the way of higher utilisation of capacity is the lack of adequate funds.

(xii) while the industry as a whole was given Rs. 500 crores, the NTC which constituted 20 per cent of the textile industry got only Rs. 40 crores (i.e. 8 per cent) from the public financing institutions in spite of the fact that NTC is not in a position to raise funds from other resoures.

(xiii) when the NTC approached the banks they wanted the Corporation to give guarantees for the amounts the banks had given to the previous owners of the mills in the pre take-over period. The NTC could not however, give guarantees and take over the responsibility for making repayment of the amounts advanced to the previous owners of the mills. A group of 13 mills in the nationalised sector did not get any funds at all from the banks.

(xiv) due to over-all economic considerations, the NTC mills have been able to get only Rs. 33 crores for the modernisation programmes out of the total budget of Rs. 55 crores and their total requirement of Rs. 156 crores for the Fifth Five Year Plan period.

(xv) there was no costing system in some of the mills taken over by NTC in some others the system followed was purely *ad hoc*.

(xvi) the Committee find from the High-Powered Committee Report that there was no guideline as to how the sale rate was related to the cost of production and which of the products were profitable and which were not.

(xvii) in March, 1973, when the Textile Commissioner issued an order on price and distribution control of yarn some private sector mills and a number of yarn merchants filed writ petitions in the various High Courts and got stay orders but the NTC mills did not resort to any such action and abided by the Government orders regarding control on price. As a result, the private mills sold the yarn at open market price which was higher than the controlled price fixed by the Textile Commissioner while the NTC mills could sell it only at the controlled price and thus lost about Rs. 9 crores on this account.

(xviii) according to the instructions issued by the Government of India, the NTC mills, like other mills, can sell only 10 per cent production of controlled cloth through the retail outlets and the balance has to be sold through National Cooperative Consumers' Federation. As a result, almost the entire over-heads of distribution have to be borne by the balance production.

(xix) when the NTC mills reduced prices of their production to the extent of 20 to 30 per cent and incurred a loss of about Rs. 9 crores in the exercise, the benefit of this reduction in prices was not passed on to the consumers by the intermediaries.

13.4. To sum up the Committee would like to emphasise that while National Textile Corporation has been addressing itself to the task of rehabilitating and modernising the 'sick' mills taken over by Government and since nationalised the nationalisation of 103 textile mills has been one of the major steps towards the realisation of social purposes underlying the objectives and the Directive Principles of State Policy enshrined in the Constitution and they would like the NTC to bear in mind its social responsibility and so work as to achieve the social purposiveness of our Constitution.

They feel that the N.T.C. cannot succeed in its objectives unless Government evolve a total national textile policy in which the working of the N.T.C. is properly coordinated and dovetailed including giving priorities in the quota of textile machinery manufactured by the existing textile machinery manufacturers and adequate funds for implementation of modernisation programmes and also takes preventive measures to obviate the danger of other textile mills becoming "sick" and therefore having to be closed. The Committee would like the NTC to give a lead by meeting not only in overall terms the obligation for controlled cloth but also producing the prescribed quantities of sarees, dhoties, drill etc. which are required by the common people. They would also like the NTC to set an example as model employer, introduce a system of built-in incentives in the wage structure and progressively bring about workers' participation in management at all levels. The Committee need hardly emphasise the importance of investment in human beings whenever any programme of modernisation is undertaken.

NEW DELHI;
April 21, 1975.
Vaisakha 1, 1897 (*S*).

NAWAL KISHORE SHARMA,
Chairman,
Committee on Public Undertakings.

APPENDIX—I

(Referred to in Paragraph 2·12)

LIST OF TEXTILE MILLS UNDER GOVERNMENT MANAGEMENT

Sl. No.	Name of the Mill Company & address	Date of take over
1	2	3
Andhra Pradesh		
	Under Industries (Development & Regulation) Act.	
1.	Azam Jahi Mills Ltd. Gunfaundry Road, Hyderabad. . . .	30-4-1974
2.	Netha Co-op. Spg. Mills Ltd. 608, Elchiguda, Secunderabad-3 . .	25-1-1972
3.	Nataraj Spg. & Wvg. Mills Ltd. Nirmal, Distt. Adilabad . .	3-8-1972
	Under Sick Textile Undertakings (Taking over of Management) Ordinance, 72 (since replaced by an Act.)	
*4.	Adoni Cotton Mills, Alur Road, Adoni . . .	31-10-1972
4.	Anantapur Cotton Mills, Renigunta. . . .	31-10-1972
6.	Tirupathi Cotton Mills, Ranigunta. . . .	21-10-1972
	Under I. D. R. Act.	
Assam		
7.	Associated Industries (Assam) Ltd. Chandrapur, Distt. Kamrup . .	16-6-1972
	Under I. D. R. Act.	
Bihar		
8.	Bihar Co-op. Weavers Spg. Mills Ltd. Mokameh.	24-8-1972
	Under Sick Textile Undertakings Act.	
9.	Gaya Cotton & Jute Mills, Gaya	31-10-1972
	Under I. D. R. Act.	
Gujrat		
10.	New Maceckchock Spg. Mills Ltd. Ahmedabad	14-2-1969
11.	Ahmedabad New Textile Mills Co. Ltd. Ahmedabad. . . .	6-9-1969
12.	Himabhai Mfg. Co. Ltd. Ahmedabad.	9-10-1969

1	2	3
13.	Rajkot Spg. & Wvg. Mills Ltd. Rajkot	20-6-1970
14.	Mahalaxmi Mill Ltd. Bhavnagar.	6-8-1970
15.	Keshav Mills Co. Ltd. Petlad.	4-11-1970
16.	Jahangir Vakil Mills Ltd. Ahmedabad	20-8-1971
17.	Ahmedabad Jupiter Spg. Wvg. & Mfg. Co. Ltd. Ahmedabad.	8-10-1971
18.	Rajnagar Spg. Wvg. & Mfg. Co. Ltd. Unit No. 1, Ahmedabad	7-1-1972
19.	Rajnagar Spg. Wvg. & Mfg. Co. Ltd. Unit No. 3, Ahmedabad.	7-1-1972
	Under Sick Textile Undertakings Act.	
*20.	Fine Knitting Mills, Near Chamundamata Asarva Road, Ahmedabad.	31-10-1972
21.	Prabha Mills, Viramgaon.	31-10-1972
	Under I. D. R. Act.	
Kerala		
22.	Alagappa Textiles (Cochin) Ltd. Alagappanagar.	19-5-1972
23.	Parvathi Mills Ltd. Quilon.	10-7-1972
	Under Sick Textile Undertakings Act.	
24.	Cannanore Spg. & Wvg. Mills, Cannanore.	31-10-1972
25.	Kerala Lakshmi Mills, Trichur	31-10-1972
26.	Vijaymohini Mills, Trivandrum	31-10-1972
	Under I. D. R. Act.	
Madhya Pradesh		
27.	Bengal Nagpur Cotton Mills Ltd.	17-12-1963
28.	New Bhopal Textiles Ltd., Bhopal	11-2-1966
29.	Hira Mills Ltd., Ujjain	4-3-1966
30.	Swedeshi Cotton & Flour Mills Ltd., Indore.	13-4-1966
31.	Burhanpur Tapti Mills Ltd. Burhanpur.	18-3-1971
	Under Sick Textile Undertakings Act.	
32.	Indore Malwa United Mills, Indore.	31-10-1972
33.	Kalyanmal Mills, Indore.	31-10-1972
	Under I. D. R. Act.	
Maharashtra		
34.	Model Mills Nagpur Ltd., Nagpur	18-7-1959
35.	R.S.R.G. Mehta Spg. & Wvg. Mills Ltd., Akola	15-9-1961

1	2	3
36.	India United Mills Ltd. Mill No. 1, Bombay-12	29-11-65
37.	India United Mills Ltd. Mill No. 2, Bombay-33	
38.	India United Mills Ltd. Mill No. 3, Bombay-33	
39.	India United Mills Ltd. Mill No. 4, Bombay-33	
40.	India United Mills Ltd. Mill No. 5, Bombay-27	
41.	India United Mills Ltd. Dye Works, Bombay-28	
42.	Aurangabad Mills Ltd., Aurangabad	11-3-1966
43.	Digvijay Spg. & Wvg. Mills Ltd., Bombay	9-7-1969
44.	Chhaganlal Textile Mills Pvt. Ltd. Chalisgaon	20-10-1970
45.	Ahmedabad Jupiter Spg. Wvg. & Mfg. Co. Ltd., Bombay	8-10-1971
	Under Sick Textile Undertakings Act.	
46.	Apollo Mills, Bombay	31-10-1972
47.	Edward Textile Mills, Lower Parel, Forgusan Road, Bombay	31-10-1972
48.	Jayashankar Mills, Barsi Distt. Sholapur.	31-10-1972
49.	New Kaiser-i-Hind Spg. & Wvg. Mills, Gurupdeo Road, Chinchpokli, Bombay 23	31-10-1972
50.	New Pratap Spg. Wvg. & Mfg. Mills, Dhullia, West Khandesh.	31-10-1972
51.	Osmanshahi Mills, Mill Road, Nanded	31-10-1972
52.	R. B. Bansilal Abirchand, Akola	31-10-1972
53.	Savatram Ramprasad Mills, Akola	31-10-1972
54.	Seksaria Cotton Mills, Delisle Road, Parel, Bombay	31-10-1972
55.	Vidarbha Mills (Berar) Ellichpur	31-10-1972
	Under I. D. R. Act.	
Mysore		
56.	Mysore Spg. & Wvg. Co. Ltd., Bangalore	10-10-1971
57.	Minerva Mills Ltd., Bangalore.	19-10-1971
	Under Sick Textile Undertakings Act.	
58.	Mahboob Shahi Kulbarga Mills, Gulbarga	31-10-1972
59.	Sree Yallamma Cotton Woollen & Silk Mills, Yallamnagar	31-10-1972
	Under Sick Textile Undertakings Act.	
Orissa		
60.	Orissa Cotton Mills, Bhagatpur, Cuttack	31-10-1972

1	2	3
	Under Sick Textile Undertakings Act.	
Punjab		
61.	Dayalbagh Spg. & Wvg. Mills, Amritsar.	31-10-1972
*62.	Kharar Textile Mills, Kharar (Near Chandigarh)	31-10-1972
*63.	Panipat Woollen Mills Kharar (Near Chandigarh)	31-10-1972
64.	Suraj Textile Mills, Malout Mandi (Punjab)	31-10-1972
	Under I. D. R. Act.	
Rajasthan		
65.	Mahalaxmi Mills Co. Ltd., Beawar	9-1-1967
	Under Sick Textile Undertakings Act.	
66.	Edward Mills, Beawar	31-10-1972
67.	Shree Bijay Cotton Mills, Bijaynagar	31-10-1972
	Under I. D. R. Act.	
Tamil Nadu		
68.	Om Parasakthi Mills Ltd., Coimbatore	25-6-1969
69.	Cambodia Mills Ltd., Coimbatore.	22-10-1969
70.	Kishnaveni Textile Ltd., Coimbatore	22-10-1969
71.	Sri Rangavilas Gng. Spg. & Wvg. Mills Co. Ltd., Coimbatore. . .	7-1-1970
72.	Coimbatore Murugan Mills Ltd., Coimbatore.	19-12-1970
73.	Somasundaram Mills Ltd., Coimbatore	8-3-1972
74.	Coimbatore Spg. & Wvg. Mills, Ltd., Coimbatore.	8-3-1972
	Under Sick Textile Undertakings Act.	
75.	Balarama Varma Textile Mills, Shencottah	31-10-1972
76.	Kaleeswarar Mills, A Unit, Coimbatore.	31-10-1972
*77.	Kaleeswarar Mills, B Unit, Kalyanarkoi (Distt. Ramnad) . . .	31-10-1972
78.	Pankaja Mills, Coimbatore.	31-10-1972
79.	Pioneer Spinners, Pioneernagar	31-10-1972
80.	Sro Kothandram Spg. Mills, Madurai	31-10-1972
81.	Sri Sarada Mills, Podanur	31-10-1972
	Under I. D. R. Act.	
Uttar Pradesh		
82.	Muir Mills Ltd., Kanpur	22-12 1965
83.	New Victoria Mills Ltd., Kanpur.	1-9-1969

1	2	3
	Under Sick Textiles Undertakings Act	
84.	Bijli Cotton Mills, Mendu Road, Hathras	31-10-1972
85.	Lord Krishna Textile Mills, Saharanpur	31-10-1972
86.	Shri Vikram Cotton Mills, Narghai, Mirzapur.	31-10-1972
	Under I. D. R. Act	
	West Bengal	
87.	Bengal Textile Mills Ltd., Cossimbazar	21-1-1972
88.	Manindra Mills Ltd., Cossimbazar	21-1-1972
89.	Central Cotton Mills Ltd., Calcutta.	28-1-1972
90.	Bengal Fine Sgp. & Wvg. Mills Ltd., Unit No. 1 Konnagar . .	16-3-1972
91.	Bengal Luxmi Cotton Mills Ltd., Serampore	7-6-1972
92.	Shree Mahalaxmi Cotton Mills Ltd., Palta	12-6-1972
93.	Ramporia Cotton Mills Ltd., Serampore	5-10-1972
94.	Laxminarayan Cotton Mills Ltd., Rishra	9-10-1972
	Under Sick Textiles Undertakings Act	
95.	Arati Cotton Mills, Dasnagar, Howrah	31-10-1972
96.	Dangaari Cotton Mills, Sodepore	31-10-1972
97.	Bengal Fine Spg. & Wvg. Mills, Mill No. 2, Kataganj . . .	31-10-1972
98.	Jyoti Weaving Factory 69, S. K. Dev. Road, Calcutta . . .	31-10-1972
99.	Kanoria Industries (Cotton Mills Section) Konnagar . . .	31-10-1972
100.	Sodepur Cotton Mills, Sodepur	31-10-1972
	Under I. D. R. Act	
	Delhi	
101.	Ajudhia Textile Mills Ltd., Delhi.	7-6-1971
	Under I. D. R. Act	
	Pondichery	
102.	Cannanore Spg. & Wvg. Ltd., Mahe	24-2-1972
103.	Sri Bharathi Mills Ltd., Pondicherry	5-5-1966

*Mills whose possession has not been taken over due to Court Cases.
ial Nos. 4, 20, 62, 63 and 77).

SUMMARY

Sl. No.	Name of the State	No. of Mills taken over under I.D.R. Act	No. of mills taken over under Sick Textile Act	Total Col. 3 & 4	Total No. of workers	Installed Capacity. Total no. of Spindles.	Total no. of Looms
1	2	3	4	5	6	7	8
1	Andhra Pradesh .	3	3	6	6187	104864	725
2	Assam . . .	1	..	1	400	11000	..
3	Bihar . . .	1	1	2	1563	32468	588
4	Gujarat . .	10	2	12	19792	345124	6742
5	Kerala . . .	2	3	5	3990	124704	330
6	Madhya Pradesh .	5	2	7	18844	252199	5779
7	Maharashtra . .	12	10	22	54614	917016	18456
8	Mysore . . .	2	2	4	6463	145348	2001
9	Orissa . . .	..	1	1	354	14372	..
10	Punjab . . .	..	4	4	1464	38878	230
11	Rajasthan . .	1	2	3	3007	42866	1090
12	Tamil Nsdu . .	7	7	14	11386	388128	1368
13	Uttar Pradesh . .	2	3	5	15215	219570	3837
14	West Bengal . .	8	6	14	15972	240604	3877
15	Delhi . . .	1	..	1	2177	27554	326
16	Pondicherry . .	2	..	2	1411	40440	336
		57	46	103	162839	2945135	45725

APPENDIX II

(Referred to in Paragraph 3·16)

Subsidiarywise Name of the Mills.

I NTC (*Delhi, Punjab & Rajasthan*) *Ltd.*

1 Ajudhia Textile Mills.
2 Dayalbagh Spg. & Wvg. Mills.
3 Suraj Textile Mills.
*4 Kharar Textile Mills.
*5 Panipat Woollen Mills.
6 Mahalakshmi Mills, Beawar.
7 Edward Mills, Beawar.
8 Shree Bijay Cotton Mills.

II NTC (*Uttar Pradesh*) *Ltd.*

9 Muir Mills Company.
10 New Victoria Mills.
11 Lord Krishna Textiles.
12 Shree Vikram Cotton Mills.
13 Bijli Cotton Mills.

III NTC (*Madhya Pradesh*) *Ltd.*

14 Indore Malwa United Mills.
15 Kalyanmal Mills.
16 New Bhopal Textile Mills.
17 Swadeshi Cotton Mills.
18 Hira Mills.
19 Burhanpur Tapti Mills.
20 Bengal Nagpur Cotton Mills.

IV NTC (*West Bengal, Assam, Bihar & Orissa*) *Ltd.*

21 Associated Industries (Assam) Spg. Unit.
22 Bihar Co-operative Wvers. Spg. Mill.
23 Gaya Cotton & Jute Mills.
24 Orissa Cotton Mills.
25 Mahindra Mills.
26 Central Cotton Mills.
27 Bengal Fine Spg. & Wvg. Mills Unit No. 1
28 Bengal Luxmi Cotton Mill.
29 Shree Mahalaxmi Cotton Mill, Palta.
30 Rampooria Cotton Mills.
31 Luxminarayan Cotton Mills.
32 Arati Cotton Mills.
33 Bangasri Cotton Mills.
34 Bengal Fine Spg. & Wvg. Mills, Unit No. 2.
35 Jyoti Wvg. Factory.
36 Kanoria Industries.
37 Sodepur Cotton Mills.
38 Bengal Textile Mills.

V NTC (*Gujarat*) *Ltd.*

39 New Maneckchock Spg. Mills.
40 Ahmedabad New Textiles.
41 Himabhai Mfg. Company.
42 Rajkot Spg. & Wvg. Mills.
43 Mahalaxmi Mills, Bhavnagar.
44 Keshav Mills.
45 Jehangir Vakil Mills.
46 Ahmedabad Jupiter Mills.
47 Ratnagar Spg. & Wvg. Mills A Unit.
48 Rajnagar Spg. & Wvg. Mills B Unit.
49 Prabha Mills.
*50 Fine Knitting Mills.

VI NTC (*Maharashtra North*) *Ltd.*

51 to 56 India United Mills.

57 R.S.R.G. Mohta Mills.

58 Model Mills, Nagpur.

59 Osmanshahi Mills.

60 Savatram Ramprasad Mills.

61 Vidarbha Mills.

VII NTC (*Maharashtra South*) *Ltd.*

62 Ahmedabad Jupiter Mills.

63 Digvijay Spg. Mills.

64 Apollo Mills.

65 Edward Textiles, Bombay.

66 Saksaria Cotton Mills.

67 Aurangabad Mills.

68 Chhaganlal Textiles.

69 Jayashankar Mills, Barsi.

70 New Kaiser-i-Hind Spg. Wvg. Mills.

71 New Pratap Spg. & Wvg. Mills.

72 R. B. B. A. Spg. Mills.

VIII NTC (*Tamil Nadu & Pondicherry*) *Ltd.*

73 Om Parasakathi Mills.

74 Cambodia Mills

75 Sri Rangavilas Gng. & Spg. Mills.

76 Coimbatore Murugam Mills.

77 Coimbatore Spg. & Wvg. Mills.

78 Somasundaram Mills.

79 Kaleeswarar Mills 'A' Unit.

*80 Kaleeswarar Mills 'B' Unit.

81 Balramvarma Textiles.

82 Kishnaveni Textiles.

83 Pankaja Mills.

84 Pioneer Spinners.

85 Sri Sarada Mills.

86 Sri Kothandaram Mills.

87 Sri Bharati Mills.

IX NTC (*Andhra Pradesh, Karnatka, Kerala & Mahe*) *Ltd.*

88 Azam Jahi Mills.

89 Natara Spg. & Wvg. Mills.

90 Netha Co-op. Spg. Mills.

*91 Adoni Cotton Mills.

92 Tirupathi Cotton Mills.

93 Anatpur Cotton Mills.

94 Mysore Spg. & Wvg. Mills.

95 Minerva Mills.

96 Mehaboob Shahi Kulbarga Mills.

97 Sree Yallamma Cotton, Woollen & Silk Mills.

98 Alagappa Textiles (Cochin).

99 Parvathi Mills.

100 Cannanore Spg. & Wvg. Mills.

101 Kerala Lakshmi Mills.

102 Vijaymohini Mills.

103 Cannanore Spg. & Wvg. Mills, Mahe.

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*Mills whose possession has not yet since been taken due to court cases. (Sl. Nos. 4, 5, 50, 80, and 91).

APPENDIX III

SUMMARY OF CONCLUSIONS/RECOMMENDATIONS OF THE COMMITTEE ON PUBLIC UNDERTAKINGS CONTAINED IN THE REPORT

Sl. No. No.	Reference to Para No. in the Report	Summary of conclusions/ Recommendations
	2.6	The Committee note that the National Textile Corporation was originally set up with the main objective of managing the affairs of sick textile undertakings taken over by the Government, rehabilitate, modernise and expand them and also to set up new mills, subject to availability of resources. The Committee were informed that the National Textile Corporation had been, by and large, fulfilling the objectives for which it was set up, except that it has not yet set up any export-oriented mills because of its pre-occupation with the work of rehabilitation and modernisation of the mills taken over by Government and since nationalised. The representatives of the NTC and the Government brought to the notice of the Committee various constraints like labour liabilities, financial constraints and also difficulty in availability of textile machinery under which the Corporation had been working. The Committee have dealtwith these constraints in the succeeding chapters under relevant heads.
	2.7	The Committee note that consequent on the enactment of the Sick Textile Undertakings (Nationalisation) Act, 1974, the preamble of the Act enjoins upon the National Textile Corporation to re-organise and rehabilitate sick textile

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		undertakings acquired by Government and transferred to it for management so as to subserve the interests of the general public by the augmentation of the production and distribution, at fair prices, of different varieties of cloth and yarn and for matters connected therewith or incidental thereto. The Committee have given their recommendations in regard to the achievements of these objectives in the relevant chapters of the report.
	2.8	The Committee were informed that though the objectives of the NTC stand modified, to some extent, in the light of the Preamble to the Sick Textile Undertakings (Nationalisation) Act, 1974, the aims and objectives described in the Memorandum and Articles of Association of the NTC, as originally framed, being wide enough, there is no necessity to make any modification in the Memorandum of Association of the Corporation as such. However, it was stated that the Corporation is examining the changes which may be necessary in the Articles of Association in regard to the delegation of powers and the Corporation will be approaching Government in this regard.
	2.9	The Committee would like that the Corporation Government should complete this work early so that the Corporation is clear about its objectives and powers under the new set up and is not handicapped in any way in the discharge of its responsibilities.
2	2.10	The Committee need hardly stress that as enjoined in that preamble to the Nationalisation Act, the Corporation should ensure that cloth is made available to the consumer at fair price.
	2.11	The Committee would like to emphasise that the nationalisation of 103 textile mills has been one of the major steps towards the realisation

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		of social purposes underlying the objectives and the Directive Principles of State Policy enshrined in the Constitution. They would like the NTC to bear in mind its social responsibility and so work as to achieve the social purposiveness of our Constitution.
3	2.18	The Committee note that the take-over of the management of a mill is authorised under Sections 18A, 18AA and 18FA of the Industries (Development and Regulation) Act, 1951. While Sections 18A and 18FA require an investigation to precede the take over, Section 18AA provides that a mill, which has been lying closed for three months or more, can be taken over without an investigation, provided certain other conditions laid down in the Act are also fulfilled. The requirement that a mill must close down and remain closed for at least three months may, in addition to loss of production and loss of revenue to the State, give rise to handicaps in the matter of subsequent working of the mill, cause unemployment and give a jolt to the economy of the unit. The Committee note that taking this into consideration, the High Powered Committee on NTC, in their Report, had suggested that a company intending to close down its operations be required to give a notice of 60 days and that the Government may be authorised to take over the management during the notice period itself.
	2.19	The Committee are informed that though the statutory provisions provide for taking over the mills, which are lying closed for over 3 months, Government also considered the economic viability, the depreciated value of assets taken over, the number of workers employed and whether the articles manufactured subserve the national

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		need and also about Government discharging responsibility for management. The Planning Commission had also appointed a Committee to suggest measures to help the Government to detect a unit before it became "sick" and that Committee made a recommendation that the financial institutions which come to know of the financial difficulties of such units, should inform the Government accordingly to enable Government to do something in advance. The Committee are also informed that certain preventive steps are under the consideration of Government in regard to such units, including textile mills, which show signs of incipient sickness. The Committee recommend that the preventive measures proposed to be taken may be finalised and implemented expeditiously so as to obviate the danger of units becoming sick and, therefore, having to be closed, thus creating a national loss.
4	3.21	The Committee note that the Board of Directors of the National Textile Corporation comprises a Part-time Chairman a Managing Director, a Director (Technical), a Director (Finance) and three part-time Directors. The Committee also note that apart from the part-time Chairman, who has a background of long experience in the textile industry, there is only one Technical Director in the Board of Directors. Managing Director, and three part-time Directors are from the services. The Committee feel that with the nationalisation of 103 mills of various sizes, spread more or less throughout the country, the Corporation should examine the possibility of associating more full-time functional technical directors with the Board so that various aspects of the working of the Corporation are looked after adequately by the Board. The functional Directors of NTC should also maintain links with their counterparts in the operating

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		subsidiary corporations through the Chairman/Managing Director of the subsidiary corporation. The Committee need hardly stress that the Management will be judged by their ability to make the units viable and generate resources for future development programmes and also to make available cloth at cheaper rates. The Committee also expect the Management to ensure that the Mills taken over by them do not become sick again.
5	3.22	The Committee note that at the time setting up of the National Textile Corporaion in April, 1968, there were 16 mills taken over by the Government. By October, 1972, the number of mills taken over by the Government had increased to 103. Out of the 103 mills, 34 mills were under the direct management of the Corporation, in its capacity as the Authorised Controller/Custodian. 63 Mills were under the management of the six State Textile Corporations set up in the States of Gujarat, Kerala, Madhya Pradesh, Maharashtra, Tamil Nadu and Uttar Pradesh or other Authorised Controllers. Physical possession of six mills had not been taken over at that time due to Court cases. In order to have a close and direct control and supervision over these mills in general and the NTC controlled mills in particular, the NTC set up four Regional Offices at Calcutta, Bombay, Bangalore and Chandigarh to look after the work in Eastern, Western, Southern and Northern zones of the country respectively. Later on the Chandigarh Regional Office was shifted to headquarters of the Corporation at Delhi and continued to function as Northern Regional Cell.
	3.23	The Committee note that the 103 sick mills which have now been nationalised have been divided into nine groups and their management has been entrusted to nine regional subsidiary corporations of the NTC. NTC would now be an-

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		apex body playing a co-ordinating and supervisory role and the subsidiary corporations would be the profit centres having considerable autonomy in their functioning. NTC would have 51 per cent shares in the subsidiary corporations as a holding company, and the State Government concerned would have the option to contribute upto 49 per cent of the equity capital. The Board of Directors of the subsidiary corporation will consist of the Chairman-*cum*-Managing Director to be appointed by the NTC in consultation with the State Government concerned, and part-time Directors representing NTC and the State Government in proportion to their contribution in the equity capital of the subsidiary corporation. The State Government will appoint whole-time functional Directors and, as such, it will be fully associated in the management of the subsidiary corporation.
	3.24	The Committee find that the re-organised set up is a new experiment in the field of management in-as-much-as the subsidiary corporations will be composite bodies, with share capital up to 49 per cent held by the State Governments and having whole time functional Directors appointed by the State Govenments. The Committee recommend that no time may be lost in studying the detailed requirements of the new structure and adequate provisions made in the charters of the apex body and the subsidiaries and suitable guidelines evolved to ensure smooth functioning of the organisation as a whole. The Committee have no doubt that while appointing Chief Executives, the technical background of the persons will be kept in view so that they can provide real leadership not only in management but in technical fields also.
6	3.25	The Committee note that there has been an increase in the staff strength in the Headquarters of the Corporation from a mere 17 on 31st March,

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		1969 to 156 on 31st March, 1974. The Committee are informed that in the initial stages the role of the Corporation was only to supervise the working of the Mills and to provide finance for them. However, from April, 1971 onwards, the NTC was also entrusted with the task of directly managing some mills. The Committee also note that the number of mills under Government management increased from 16 in 1967-68 to 103 in 1973-74. Consequently the Corporation had to strengthen the staff by recruiting more persons. The Committee understand that with the setting up of the subsidiary corporations the regional offices of the Corporation are being wound up. The Committee feel that in the interest of efficient management, the headquarters of the Corporation should be a compact unit and with the setting up of subsidiaries there would be devolution of functions. The headquarter should give a lead by shedding avoidable functions and keeping staff to the barest minimum in the interest of a compact and efficient organisation.
7	3.30	The Committee note that in the context of nationalisation of 103 textile mills it had been considered desirable by NTC to streamline the Management Information System at the mill level, subsidiary level and the apex level and a study to this effect had been entrusted to the National Productivity Council in January, 1974. The Committee were informed that the NPC has submitted the draft report which is under study by the Corporation. The Committee fail to understand as to why such a system, which is of crucial importance in the management function, has not been introduced so far. The Committee recommend that the study of the report should be concluded expeditiously and a Management Information System, suitable for the new set up, should be introduced early.

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8	3.31	The Committee find that at present the responsibility for planning and development of the textile industry is with the Ministry of Commerce while the administrative responsibility for running the NTC, as a public sector undertaking, is with the Ministry of Industry and Civil Supplies. The Committee are informed that so far as practical working is concerned, there is no difficulty in this arrangement as the Ministry of Commerce is in close touch with the Ministry of Industry and Civil Supplies and consults it in all important matters relating to textile industry. The Committee are inclined to agree with the recommendation of the Action Committee that the NTC may be more conveniently positioned under the Ministry of Commerce.
	3.32	The Committee, therefore, feel that it will make for better coordination, lesser inter-Ministerial references and quicker decisions if all matters relating to the textile industry (including NTC) are dealt with under one Ministry.
9	4.10	The Committee note that a total of 103 sick mills have been taken over by Government. The Corporation has taken possession of 98 mills and possession of the remaining 5 mills has not yet been taken due to stay orders issued by the Courts. Modernisation programmes in respect of 82 mills, involving an outlay of Rs. 9.29 crores, have been approved by the Corporation till 31st December, 1974, and modernisation programmes in respect of 7 mills have been formulated and are under examination. Keeping in view the conditions of existing machinery and future requirements, the modernisation programmes of the remaining mills are being worked out.
	4.11	The Committee understand that the modernisation plans have been conceived in two phases. The first phase of renovation and repla-

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		cement of useless spindles, etc. is under implementation and has so far been completed in 8 mills and in terms of both production and exports the first phase of modernisation has paid dividends. The Committee are also informed that in preparing modernisation programmes, the Corporation gave weightage to the following considerations before evolving a rational policy—(i) to start the existing machinery; (ii) balancing of machines between spinning and weaving; (iii) reduction of cost with a view to improve the profitability of the mills; (iv) need for improving the quality of product; and (v) the need to maximise exports.
	4.12	The Committee regret to point out that though the Corporation had issued some guidelines to the mills and the mills have been asked to prepare their individual modernisation plans on the basis of these guidelines, the Corporation had not so far prepared a long term perspective programme of modernisation. The Committee would like that the Corporation should review the working/implementation of these guidelines in the interest of speedy implementation of modernisation programmes.
	4.13	The Committee recommend that the Corporation, keeping in view the financial resources and the suggestions made by the High-Powered Committee, should determine the interse priorities for the renovation/modernisation of the mills and draw up a perspective plan for modernisation of the mills and ensure that investment decisions are related to the benefits/returns expected of them, pay-back periods etc. as revealed by the programme. The Committee need hardly stress that the plan of modernisation should be flexible so as to meet not only the immediate needs of cloth and yarn but also take long-term view of the demands of sophisti-

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		cated man-made synthetic fibers and woollens, and it should be ensured that the machinery installed do not become out of date, say in the next 10 years or so. The Committee also recommend that, consistent with the demand for the varieties of cloth, both in the internal maket and for exports, the Corporation should so phase the modernisation programme as to ensure their completion within a period of two years so that such programmes result in improving the financial returns.
10	4.14	The Committee are informed that during the fifth five-year plan, the Corporation has a scheme of expansion of 41 units which are having less than 25,000 spindles. The Corporation has, out of those 41 mills, obtained 15 licences and 18 of them are pending with the Government. The Committee are also informed that in the spinning units there are about 10 units, which are having spindles of less than 10,000. These are the first category of non-viable units. The Committee recommend that the Corporation should give priority to these 10 units which at present have less than 10,000 spindles to raise them to the level of viable position of 25,000 spindles and only thereafter consider expansion of these units, the licenses for which the Committee regret to note are pending with Government. The Committee also recommend that Government should ensure that the licences, which are pending with them are cleared without delay in the interest of speedy implementation of modernisation programmes. The Committee also suggest that in drawing up and implementing the modernisation programmes, the Corporation might perhaps make use of the experience of rehabilitation of the Textile Industry in the United Kingdom.

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11	4.28	The Committee note that the total installed capacity of the 103 mills, in terms of spindleage and loomage, is about 16 per cent and 22 per cent respectively of the total installed capacity of the textile industry in the country. The Committee further note that during the Fifth Plan the total requirement of machinery for modernising the sick mills would be of the order of Rs. 100 crores. The Committee are informed that the Government managed mills had placed orders for machinery worth Rs. 3 crores upto March, 1972, about Rs. 8 crores during 1972-73 and about Rs. 10 crores during 1973-74 for carrying out the first phase of modernisation out of which machinery worth Rs. 10 crores had so far been received and installed. It was represented to the Committee, during evidence, that the main difficulties faced by the Corporation related to the delivery periods, escalation in prices, the quantum a machinery manufactured and the arrangement of distribution between the government managed mills and the private sector mills.
	4.29	The Committee also note that at the 1972 level the installed capacity available with the textile machinery manufacturers was for machinery worth Rs. 117 crores against which the production in 1972-73 was around Rs. 27 crores and in 1973-74 Rs. 40 crores. The utilisation was expected to reach a level of Rs. 70 to 80 crores in 1974-75.
	4.30	The Committee understand that large orders were placed by the private sector to take advantage of certain tax concession extended by Government due to which the machinery manufacturers had orders booked for a period of delivery covering 3 to 8 years, i.e., upto 1980-81.
	4.31	During evidence it was stated that a High Powered Committee has been appointed to go

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		into the problems with the textile machinery manufacturers and when that Committee finalises its report, there will be improvement in this record. The Committee however, understand that this High Powered Committee was not appointed by Government but on the initiative of ICMF.
	4.32	The Committee view with concern the existence of such large unutilised capacity with the textile machinery manufacturers and recommend that Government should investigate the causes of the unutilised capacity and explore ways and means of utilising the capacity special in the interest of getting expeditiously textile machinery for the NTC Mills.
12	4.33	The Committee also note that the Corporation has given certain suggestions in regard to the supply of textile machinery, important amongst which are that the Government should insist on price discipline on textile machinery manufacturers for a period of 3 years w.e.f. 1974-75 and 25 per cent of the total production should be earmarked for allotment to the Government managed mills. The Committee feel that the NTC cannot succeed in its objectives unless Government evolve a total national textile policy in which the working of NTC is properly coordinated and dovetailed including giving priorities in the quota of textile machinery manufactured by the existing textile machinery manufacturers in the country. The Committee recommend that Government should take an early decision about instituting price discipline on the textile machinery manufacturers and also earmarking a fixed percentage of the machinery in favour of Government managed mills.

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		In view of the difficulties experienced by the Corporation in the procurement of textile machinery from the private sector, Government may also consider utilisation of the already available unutilised capacity in the public sector machinery manufacturing units like Hindustan Machine Tools, Heavy Engineering Corporation, etc. for the manufacture of textile machinery required for NTC mills.
13	5.7	The Committee note that under the cotton purchase scheme of the Corporation, cotton is purchased by the Chief Executive Officers of the mills who are Constituted Attorneys of NTC and transferred to the mills at cost from time to time. Cotton is purchased without calling for tenders from a list of approved suppliers to whom intimation is given whenever cotton is required and they send samples along with their rates.
	5.8	A Committee consisting of the Chief Executive Officer, Financial Adviser to the mill, Cotton Selector, Production Manager and others concerned scrutinises the samples and the rates and finalises the orders. The Committee are informed that this procedure is followed, as according to the Corporation all merchants are not able to supply the quality of cotton required by mills and the reliability, integrity and financial stability of the supplier are the most important considerations for selecting a supplier. The Committee are, however, not sure as to how far under the present procedure the purchases have been made at most competitive rates. The Committee recommend that the working of the system of purchase should be critically reviewed by an expert committee consisting of technical and financial experts to asess as to how far the system has enabled the Corporation in procuring cotton at economic rates. The Committee also recommend that the Corporation should en-

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		sure that the information about the quality and the prices at which cotton is purchased by the Chief Executive Officers of the mills is also communicated to the subsidiaries and the Headquarters of the Corporation so that a central watch may be kept about the quality and rates of cotton purchased by mills in the same region/area.
14	5.9	The Committee also note that the Action Committee in their Report on NTC have suggested that in the purchase of cotton, there will have, necessarily, to be close consultation between the buying organisation and the mill management to make sure that the quality of cotton bought was acceptable to the mills. They have also suggested that there should be a Central Adviser (Purchases) for assisting the Board in formulating central policies and guidelines and should give general advice to the Board on price trends in India and abroad and policies and purchases of cotton from organisations like the CCI or cooperative bodies of farmers.
	5.10	The Committee hope that Government/Corporation would take an early decision on the recommendations made by the Action Committee in order to ensure that the cotton is purchased for the NTC mills at the right time, right place and at economic prices.
15	5.20	The Committee regret to note that though according to the guidelines given by Government, the NTC was to purchase cotton from the Cotton Corporation of India and one of the objectives of CCI was to purchase cotton for the public sector mills, the NTC had not, till last year, been able to buy their full requirement of cotton from the CCI. The Committee also note that the estimated consumption of cotton by the 103 NTC mills would be of the order of 14 lakh

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		bales per annum. According to NTC, the CCI's present level of operations of precuring only 3 lakh bales can be considered as insignificant compared to the production of 65 lakh bales in the country to have any impact on the prices. Though the NTC would like to purchase the entire requirements from CCI, the latter is not in a position to supply the entire quantity of NTC mills. Further the commercial practices followed by CCI acted as deterrent to such an arrangement, because CCI insisted on full payment not for supply at the mill gate but at the point where they purchased the cotton and this was not possible for the sick mills under the NTC management. Besides, the CCI was not agreeable to give many other facilities to NTC mills which the private suppliers were able to offer. According to NTC, if they have to rely more and more on CCI for procuring the cotton required by them, the CCI would have to increase the scale of operations as to cover at least a third of total production in the country. The NTC's primary responsibility was to get adequate cotton at the right time and at the right place.
	5.21	The Committee feel that it was unfortunate that the two public sector undertakings could not appreciate each other's difficulties and arrive at mutually agreeable terms and conditions of supply of cotton. The Committee note that it was only in January, 1975, after the examination of the two Corporations by the Committee on Public Undertakings, that the two undertakings have reached an agreement on the terms and conditions of purchase of cotton and the NTC has now placed an indent for 2 lakh bales out of the 14 lakh bales which it requires for all its mills and it would increase the quantity to be purchased from CCI gradually. The Committee hope that there would be better coordination between the two undertakings and the NTC will gradually increase its purchases of cotton through CCI and the CCI

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		will also be able to fulfil its objective of supplying cotton to Government managed mills.
	5.22	The Committee note that the Managing Director of the NTC has recently been appointed as a Director on the Board of Directors of CCI. The Committee hope that this arrangement will help in establishing a close liaison and cooperation between the two public sector organisations at the highest level.
16	5.23	The Committee have in their report on CCI, pointed out that the major constraint in the way of CCI entering the market in a big way was lack of adequate finance and, therefore, Government should assist the CCI in getting adequate finance. The Committee would recommend that the Government should also arrange for improved finances for NTC so that the NTC may be in a position to subserve its interests in precuring cotton at the right time and at economic cost from the CCI.
17	5.24	While the Committee feel that it is not considered advisable to merge the two undertakings or to make one the subsidiary of the other, as the two have different functions to perform, they agree, as admitted by Secretary of the Department of Industry and Civil Supplies, that the two must cooperate with each other. The Committee have expressed their views in paras 3.31 and 3.32 of this Report on placing the NTC and CCI under the administrative control of one Ministry which deals with all other matters relating to textile industry. The Committee would like Government to consider the feasibility of this arrangement and take an early decision in the larger interests of functioning of the two Corporations.
18	6.15	The Committee note that as against over one thousand varieties of cloth being produced in India, the NTC mills were producing only 45

1	2	3
		varieties. The Committee were informed that it did not necessarily lead to improved efficiency if the number of varieties in a mill was reduced beyond a certain point. The Committee also note that some mills in private sector were earning more profit by producing more fine varieties but the NTC Mills could not do so because of certain technical constraints like the condition of the plant and equipments. Because of these constraints, 87 per cent of the total production of NTC mills consisted of medium 'A' and medium 'B' varieties and only 13 per cent consisted of higher varieties. The Committee note that the NTC are undertaking modernisation programme with the objectives: first of cost reduction second of quality improvement and the third of diversification of production.
	6.16	The Committee are also informed that Government have not gone into the working of each of the mills nor conducted any survey with a view to reduce the number of varieties of cloth to cater to the needs of the common man, although there seems to be a thinking about the gradual reduction of varieties over the whole range of textile industry over a period and certain guide-lines have been prepared in this regard. The Committee recommend that Government should see that the number of varieties is restricted to the minimum. The Committee also recommend that the Ministry/Corporation should undertake a quick survey of the varieties popularly in demand by the public at large in the regions, through the sale points and the subsidiaries and determine the product-mix and the number and type of varieties most appropriate to each mill, so that the mills are in a position to produce such popular varieties efficiently and economically and cater better to the needs of the common consumer.

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19	6.35	The Committee note that Government made it obligatory on the part of Textile Industry to produce 400 million sq. metres of controlled cloth from June, 1971 and export 16 per cent of their products since 1st January, 1973. With effect from 1st April, 1974, the controlled cloth obligation was increased to 800 million sq. metres and export continued to remain at 16 per cent. The penalty of Rs. 2.50 per metre was prescribed for non-fulfilment of the obligation to produce a minimum of 24 per cent of output in the controlled categories of cloth. The penalty rate for non-fulfilment of export obligation was kept at 30 paise per sq. metre. Inter-mill transfer of obligation in respect of exports and controlled cloth was, however, allowed. A set-off of one metre of controlled cloth for every 3 metres of exports over and above the mill's obligation of 16 per cent was allowed. The scheme was further revised with effect from 1st October, 1974 and combined obligation of 30 per cent and a penalty of Rs. 2.50 per sq. metre for non-fulfilment has been imposed on the textile industry with reference to the controlled cloth production and exports. The NTC have pointed out that as the machinery in the sick mills was quite obsolete, it was hardly possible for those mills to produce good quality cloth for exports and the policy had resulted in the weaker mills fulfilling an important social obligation of production of controlled cloth at a loss and the exporting mills escaping this obligation and making profits on exports. The Committee note that the NTC mills have, by and large, fulfilled their obligation of controlled cloth. The Committee understand that the Corporation has already approached Government to treat the mills of NTC as one unit for fulfilling export and con-

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		trolled cloth obligations. The Committee are informed that the Textile Commissioner has no objection to this in principle. The Committee would like Government to give a decision in this behalf quickly. The Committee are informed that the Corporation suffered a loss of Rs. 1.25 per sq. metre of controlled cloth produced till 1973-74. The Corporation produced 90 million metres and consequently lost more than Rs. 11 crores. The Corporation estimated the loss to be Rs. 14 crores when the quantum was doubled in 1974. This has increased on account of the changes made with effect from 1st April, 1974 when the Corporation produced 27 per cent controlled cloth and 3 per cent for export. The loss for the year was expected to be Rs. 19 crores. The Committee are informed that the Corporation has suggested to Government that the obligation of controlled cloth should be delinked from the export obligation and Government may impose a cess on the superfine and fine varieties of cloth which is being used by affluent sections and subsidise the mills for production of controlled cloth. The Corporation has also pointed out to Government that because of the set-off of one metre of controlled cloth for every three metres of exports and the export performance adjustment of Rs. 5 FOB value and the inter-mill transfer of obligation, the burden on the Corporation on the production of controlled cloth has increased to the extent of shortfall in production of controlled cloth by the exporting mills as it has to produce another 5 per cent controlled cloth even though it has fulfilled its own obligation of 30 per cent. In other words the Corporation has been indirectly financing the incentive which is given to the exporting mills and incurring more losses. It has also been admitted by the Ministry that unfortunately for the NTC, after producing controlled cloth, what is left is

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		not much for making higher profits and that is why it is hitting the NTC somewhat unequally. The Committee are also informed that the penalty rate having become Rs. 2.50 per metre uniformally for non-fulfilment of export/controlled cloth obligations, the NTC has to incur a further loss in having to pay penalty in excess of 30 paise originally fixed even after partially meeting the loss to some extent by the manufacture of controlled cloth on behalf of exporting mills. The Committee find that the Ministry has not taken a decision about delinking the two obligations. The Committee recommend that as the Corporation is already saddled with the responsibility of converting the sick mills into viable units and has to meet the social needs, Government should consider the questions of delinking the controlled cloth obligation from exports and of levying different rates of penalties for failure to meet controlled cloth and export obligations. The Committee further recommend that Government should also examine the question of imposing a cess on the finer and superfine varieties of cloth, as suggested by the Corporation, so that the weaker sections of the Society are not hardly hit.
20	6.36	The Committee note that as against the requirements of long cloth and shirting to the extent of 25 per cent of production, the actual percentage of production in the industry has been of the order of 78.7 per cent and 12.8 per cent respectively, in the case of sarees and dhoties against the requirement of 20 per cent the percentage of production has been 2.7 per cent and 6.3 per cent and in the case of drill against the requirement of 10 per cent the production was a meagre 0.3 per cent. The Committee are concerned to note that while production is predominently in long cloth, the requirements of

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		dhoties and sarees and drill have not been met. The Committee note that the Textile Commissioner has issued orders on 10th January, 1975 indicating the specifications for controlled dhoties, long cloth and sarees. Since the textile industry has got a capacity of only 186 million sq. metres against the requirement of 320 million sq. metres of controlled sarees and dhoties in a year, the Textile Commissioner has also issued orders that 20 per cent of controlled cloth obligation *viz.* 160 million sq. metres should be reserved for production of sarees and dhoties. The Committee stress that Government should ensure that the orders of Textile Commissioner are implemented so that sarees and dhoties for use of common man become available in adequate quantities and deterrent action is taken against the defaulting mills. The Committee are informed that Government of India are already exploring the possibility of obtaining the balance requirements from the decentralised sector. The Committee would like the NTC to give a lead by meeting not only in overall terms the obligation for controlled cloth but also producing the prescribed quantities of sarees, dhoties and drills etc. which are required by common people.
21	6.37	The Committee recommend that since it will be difficult for the NTC mills to fulfil their export obligation completely because of the obsolete and outdated machinery and the long neglect they suffered when in the private sector, Government may consider exempting the NTC mills from the export obligation till such time as they are modernised and are in a position to manufacture the export varieties.
22	6.38	The Committee also recommend that Government should also give a special report to Parlia-

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		ment on the implementation of the Controlled Cloth Scheme, especially in regard to the production of sarees, dhoties and drill which are required by the common man.
23	6.46	The Committee are informed that the capacity utilisation in the NTC mills in the first two shifts in spinning as well as weaving is of the order of 74 per cent to 76 per cent (spinning) and 84 per cent (weaving) as compared to the national average of 74 per cent to 76 per cent (spinning) and 80 per cent to 84 per cent (weaving), in 1972 and 1973. In the third shift, however, while the capacity utilisation in spinning section of the NTC mills at 67 per cent compares favourably with the national average of 68 per cent to 70 per cent, in weaving section, the performance of the NTC mills is as low as 26.7 per cent as compared to the national average of 44 per cent to 52 per cent in 1972 and 1973. The reasons for low utilisation of capacity in the third shift are stated to be (i) that the machines used for making the yarn have got to be improved; (ii) that the third shift of weaving in most of the mills is on automatic looms whereas that is not the case in the NTC mills; and (iii) that the NTC mills do not have balancing equipment and preparatory machines for the third shift. The Committee understand that the NTC is trying to increase the number of automatic looms as part of the modernisation programme in order to increase the capacity utilisation in the third shift also. The Committee stress that the installation of balancing equipment, preparatory and automatic looms, etc. as part of the modernisation programme, should be expedited so that the capacity utilisation in the third shift of NTC comes up at least to the national level.

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24	6.47	The Committee are glad to note that with the implementation of the first phase of modernisation programmes, the machine productivity of the composite mills has gone up from 60—65 per cent to 75—85 per cent and in the case of certain mills at Tamil Nadu, which are working for 7 days a week, the machine productivity has gone up as high as 100 per cent to 125 per cent.
	6.48	The Committee would like the Corporation to take similar concerned measures for other mills also, as per a carefully drawn out programme.
25	6.49	The Committee are also informed that apart from the lack of suitable machinery, the main constraint in the way of higher utilisation of capacity is the lack of adequate funds. While according to NTC its requirement was to the extent of Rs. 80 crores for working capital, according to the formula, evolved by the Tandon Committee appointed by the Reserve Bank of India, the NTC's requirement of funds from the banking sources is stated to be Rs. 62 crores. The Committee understand that the NTC has got only Rs. 40 crores from the banking system thus leaving a gap of Rs. 40 crores compared to its original estimate and Rs. 22 crores on the basis of the formula of the Tandon Committee. The Committee are surprise to note that while the industry as a whole was given Rs. 500 crores, the NTC which constituted 20 per cent of the textile industry got only Rs. 40 crores which was only 8 per cent of the total given to the industry, inspite of the fact that it is not in a position to raise funds from other resources. When the NTC approached Government in this regard, it was informed that Government do not give directions to the banks in favour of indivi-

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		dual clients. When the NTC approached the banks they wanted the Corporation to give guarantees for the amounts the banks had given to the previous owners of the mills in the pre-takeover period. The NTC could not, however, give guarantees and take over the responsibility for making repayment of the amounts advanced to the previous owner of the mills. The Committee are also informed that a group of 13 mills in the nationalised sector did not get any funds at all from the banks.
	6.50	The Committee would, therefore, like Government to look into the difficulties which the NTC mills are facing in regard to the availability of bank finance and find ways and means of providing the Corporation with adequate finances in the interest of better utilisation of the capacity in the nationalised sector.
	6.51	The Committee are informed that due to overall economic considerations, the NTC mills have been able to get only Rs. 33 crores for the modernisation programmes out of the total budget of Rs. 55 crores and their total requirements of Rs. 156 crores for the Fifth Five Year Plan period, and the Corporation has been holding discussions with the Planning Commission in this regard. The Committee would like Government/Planning Commission to take into account the onerous responsibilities thrown on the Corporation in the wake of nationalisation of sick mills and provide adequate funds through banking system or other financial institutions both towards working capital and for its modernisation programmes.
26	6.56	The Committee note that whole the ratio of output of yarn related to the consumption of cotton in the industry is 0.85 to 0.86, in the NTC mills it is 0.81 to 0.82, thus indicating that the

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		yarn production is less in the NTC mills as compared to the input of cotton. In spinning, the wastage of cotton is 17 to 19 per cent in the NTC mills, while the industry's average is 15 to 16 per cent. In weaving, the percentage of wastage in NTC mills is 4 per cent as against 3 per cent in the industry. The Committee are informed that this imbalance would be rectified on the implementation of modernisation programmes in the mills and the Corporation has already decided to set up two teams consisting of technical and finance personnel which would go into the working of the mills and devise norms to judge the performance of the mills. The team are stated to have taken up studies in respect of 3 mills before nationalisation. The Committee recommend that the teams should finalise their studies without delay so that suitable norms are evolved and enforced for evaluating the performance of various sections of mills and taking prompt corrective measures to sustain higher efficiency and output.
27	7.4	The Committee learn that there was no costing system in some of the mills taken over by NTC and in some others the system followed was purely *ad hoc*. The Committee are informed that the NTC is fully conscious of the need for having a well regulated costing system and had initiated action to introduce the system in all its mills in about 2 to 3 months time (*i.e.*, by the end of April, 1975). The Committee cannot over-emphasise the fact that a sound costing system is a *sine qua* non without which a mill cannot work out the cost at each stage of the process, effect economies wherever necessary and increase productivity. For this purpose, the Committee would like the Corporation to work out the standard norms both in terms of quantities and expenditure under the various

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		elements and sub-heads of costs, in each process so that variation from such norms could be analysed and measures taken to effect economies wherever necessary. The Committee suggest that the Corporation can profitably undertake a study of the costing system in vogue in comparable private sector units to examine the adoption of similar system in the NTC mills. The Committee hope that, as per the assurance given during evidence, a well regulated costing system on scientific lines will be introduced and implemented in all the mills by the end of April, 1975.
28	7.7	The Committee find from the High-Powered Committee Report that there was no guideline as to how the sale rate was related to the cost of production and which of the products were profitable and which were not. The Committee are distressed to note that although the Corporation came into existence in 1968 and has taken over the responsibility of running 103 mills, it has not so far laid down any guidelines in regard to the pricing of the products of the mills nor fixed any parametres to enable a comparative study of the prices of the products of the mills. The Committee would like the Government and NTC to evolve suitable guidelines for fixing prices of products of NTC mills after taking into account all the relevant factors and introduce them in all the mills so that the mills follow a uniform procedure in fixing the prices within the ambit of the guidelines.
	7.8	The Committee also note that in spinning as well as composite mills, the costs of cotton, stores and spares and wages/salaries are higher by 2 to 3 per cent in NTC mills as compared to the private sector mills. The higher costs of cotton and stores and spares are stated to be due to lack of bank finance for the working capital of NTC and the higher cost of wages/salaries is

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		stated to be due to the utilisation of old machinery not being the same as in the private sector. While the Committee have already commented on the need to provide adequate bank finances to NTC mills in paragraph 6.50 of this report, the Committee would like the NTC to take suitable measures to effect economies in the different elements of costs so that they may be within the levels of national average and the cost of end-product may also be economical. The Committee recommend that the Corporation should in particular take steps to bring down the costs of production by linking wages to productivity and reduce cost of cotton by effecting timely purchases at economic cost through the CCI. The Corporation should also take advantage of scales so that utilisation of stores and spares are within the standards.
29	8.8	The Committee note that till recently marketing function in the NTC was confined to laying down broad based policies regarding the appointment of selling agents, opening of channel of distribution etc. and the various mills under the NTC were following the traditional system of marketing in the country, and some of the mills had set up their own retail outlets. Some of the State Textile Corporations in a limited fashion also went in for centralised marketing, but by and large, the sales were on a mill to mill basis. The Committee are informed that the NTC feeling the necessity for a change in the system in the context of nationalisation, has asked the National Council of Applied Economic Research to go into the entire system of marketing and recommend the most appropriate marketing structure for the products of NTC mills and the preliminary report of NCAER has since been received. The Committee find from the preliminary report that NCAER has suggested that the NTC subsidiaries should develop their own channels of distribution gradually over the next decade in such a way that they reach the consumer directly, and

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aim for a monopoly distribution of controlled cloth (as long as the category exists) as well as for the position of a dominant supplier of textiles to all governmental departments and undertakings. The NCAER has also suggested that the subsidiaries, in co-operation with N.T.C. (I), should enter ready made garments market in a large way. The Committee are informed that the Corporation has already requested the Central Government, State Government and the Defence Department that their requirements may be met from the N.T.C. mills. The Committee would like that Government departments should give preference to NTC mills in the matter of their purchases of cotton textiles and yarn for a variety of purposes. The Committee would also like the NTC to consider the report of NCAER expeditiously and re-organise its marketing network on modern and scientific lines so as to compete with the private sector mills in the matter of supply of cloth to the common man. The Committee recommend that while taking a decision about NTC having their own marketing arrangements, the Corporation may consider the desirability of setting up a centralised marketing organisation at wholesale level with retail outlets through its own shops, public distribution system or selling agents. They feel that instead of the individual mills opening their separate retail outlets, the NTC should establish retail outlets under its own name where the products of all the NTC mills may be sold. The Committee would also like the Corporation to consider marking and selling its products under one brand name rather than using the brand names of the different mills, so that it catches the customers' eye and promotes sale. The Corporation should also ensure that selling and distribution costs are kept to the minimum.

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

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30	8.17	The Committee note that the NTC mills are producing saleable yarn and as there is a great shortage of yarn in the country to feed the decentralised sector of handloom and power-loom, these mills are stated to have always endeavoured to supply yarn predominently to these sectors. During 1971 and 1972, these mills, by and large, sold their yarn within the country through dealers/area agents to each of the States but in March, 1973, the Textile Commissioner issued an order on price and distribution control of yarn under which the yarn was to be distributed through the prescribed channels. When the control order was issued, some private sector mills and a number of yarn merchants filed writ petitions in the various High Courts and got stay orders but the NTC mills did not resort to any such action and abided by the Government orders regarding control on price. As a result, the private mills sold the yarn at open market price which was higher than the controlled price fixed by the Textile Commissioner while the NTC mills could sell it only at the controlled price and thus lost about Rs. 9 crores on this account. The Committee regret to note that the law abiding public sector mills had to incur such a heavy loss while the private sector mills reaped profits in the sale of yarn at open market prices. The Committee are not sure whether the yarn produced by the NTC mills has been purchased by private merchants at controlled prices and sold at open market prices through the private sector mills thus making heavy profits at the expense of the public sector mills.
	8.18	This was an untenable situation when law abiding agencies suffered and those which challenged the laws prospered. The Committee feel that no one who defies an order given in public interest should be allowed to get away with unconscienable profit. The Committee also feel that Government should not have kept

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		silent over this issue but should have come to the rescue of the NTC mills and taken steps to save these mills from a loss of Rs. 9 crores. They hope that a lesson will be learnt from it and such a situation will not be allowed to arise in future. The Committee recommend that NTC should consider the feasibility of selling the yarn directly to the mills instead of through private merchants.
31	8.19	The Committee further note that the Government have lifted the price and distribution control on yarn since last year and the products are now marketed through area agents openly. They were informed that in certain areas of Gujarat, certain buyers formed a syndicate and managed to buy yarn from NTC mills at low prices and then to sell it to handloom and weaver organisations at a premium. The NTC mills, however, seem to have suggested that it would be in the interest of the handlooms and weavers to combine themselves into a body and buy their requirements direct from the mills instead of through intermediaries, and the NTC were prepared to help them in regard to the payment terms. The Committee agree that this is a step in the right direction and recommend that the corporation should examine the feasibility of selling the yarn direct to the handlooms and weavers or to organised bodies of the weavers to eliminate profits by middlemen and to avoid malpractices in the distribution of yarn. The Committee also recommend that the State Governments should be asked to gear up their distribution machinery to ensure that the yarn allotments follow the actual demand pattern and distribution of yarn is made to the users in the best public interest.
32	8.30	The Committee note that the distribution of controlled cloth is at present done through five chanels *viz.*, mills own retail shops or authorised retail shops in semi urban/semi rural areas, super bazars in cooperative sector, National Cooperative Consumers Federation,

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		fair price shops run under the aegis of State Governments and any other agency in the Cooperative Sector specified by the State Government.
	8.31	According to the instructions issued by the Government of India; the NTC mills, like other mills, can sell only 10 per cent production of controlled cloth through the retail outlets and the balance has to be sold through National Cooperative Consumers' Federation.
	8.32	The Committee are informed that there are 500 retail outlets of the NTC mills, which according to the instructions of the Textile Commissioner have to be manned only by NTC under its own staff and not to be given to authorised persons and all the inventories in the shops must be held on behalf of the mill. As NTC mills are allowed to sell only 10 per cent of the controlled cloth production through their retail outlets almost the entire over heads of distribution have to be borne by the balance production. The Committee are also informed that if the NTC is allowed to see all the controlled cloth production of its mills through its own distribution system it can establish its outlets in the rural areas also where they can sell the controlled cloth along with non-controlled cloth; otherwise, the Corporation has to confine itself to the urban population where there is greater demand for the rest of the production. NTC is of the view that its distribution system, which falls in the category of public distribution system, should not be equated with the marketing system operated by the private sector mills. The Corporation is also of the view that it should be allowed to set up outlets wholly manned by its own staff in bigger places but in other places, it should be allowed to have outlets which are under its discipline and are manned by its staff for sale of controlled cloth.
	8.33	The Committee are informed that though one of the objectives laid down in the Nationa-

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		lisation Act is that the cloth should be available at cheaper prices, when the NTC mills reduced prices of their production to the extent of 20 to 30 per cent, and incurred the loss of about Rs. 9 crores in the exercise, the benefit of this reduction in prices was not passed on to the consumers by the intermediaries.
	8.34	According to the Ministry of Industry and Civil Supplies, basically there cannot be any dispute if the NTC is in a position to distribute a greater part of its controlled cloth output and establish the outlets in the rural areas if it considers the economics of the proposal alright. The Committee also recommend that the Corporation should in consultation with State Governments evolve a procedure to ensure that the benefit of controlled cloth sold through the detail outlets actually reaches the consumer.
	8.35	The Committee are of the opinion that with the nationalisation of the 103 mills, the NTC should like cooperatives, super bazars and fair price shops etc., come under the public distribution system and therefore, the restriction that only 10 per cent of controlled cloth should be sold through mills' own retail outlets which has been imposed on all the textile mills (including NTC mills) should not be made applicable to the NTC mills. The Committee, therefore, recommend that Government should consider the feasibility of allowing the Corporation to sell controlled cloth produced by N.T.C. mills through the Corporation's own retail outlets along with other non-controlled varieties of cloth, to enable the NTC to sell/distribute the controlled cloth in the rural areas also and thus help the actual consumers in getting the cloth without difficulty.
	8.36	The Committee also recommend that in order to ensure an equitable distribution of controlled cloth efforts should be made to locate the retail

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		shops from the district level to the block level. The Committee expect that the Corporation would no doubt examine the economics of opening such retail outlets before establishing outlets in new areas including rural areas.
	8.37	The Committee would also like that the Corporation should consider establishing in the retail outlets a separate section soley for the distribution of controlled cloth so that the common man may not have any difficulty in the purchase of controlled cloth.
33	8.38	The Committee note that under the present system of allocation of controlled cloth, there is stated to be a timelag of 2 to 3 months between the controlled cloth being produced in the mills of NTC and the payment for it reaching the mills and this difficulty has persisted even after it has been brought to the notice of Textile Commissioner and the National Cooperative Consumers' Federation. The Committee would like the Government to streamline the procedure so as to ensure that the NTC mills get prompt payment for the controlled cloth produced by them and are thus saved from this additional financial burden.
34	9.18	The Committee note that under the export obligation scheme, in 1973 the NTC mills exported 118 million sq. metres of cloth which was more than their obligation of 98 million sq metres; in 1974 they could, however, export only 52.6 million sq metres. Though the NTC has not yet been able to open new export oriented mills, which is one of its objectives, the Committee are glad to note that the first phase of modernisation of eight mills has started paying dividends in terms of higher exports. The Committee stress that the modernisation schemes should be implemented expeditiously so that

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		the mills may be in a position to step up their production and improve exports. The Committee understand that a sudy on the marketing system of products of Government-managed mills had been entrusted to the National Council of Applied Economic Research which is expected to make specific recommendations in regard to exports also. The Committee, however, find from the preliminary report given by the NCAER, that the NCEAR has suggested the creation of fully owned Marketing Subsidiary known as NTC (International) to be managed by the Director (Marketing) of the NTC and its board should have three directors viz. Director, Exports sales and import of raw materials, if any; Director Incharge of Production of export fabric and Director Incharge garment manufacture. The NCEAR have also suggested that during a course of next 4 to 5 years, the NTC (International) should establish a couple of textile units to produce fabric devoted entirely to exports and NTC (International) should take up large scale garment manufacturing in collaboration with regional subsidiaries. The Committee are informed that as soon as the final report is received the Corporation would be taking a decision as to how the exports are to be organised. The Committee would, however, recommend that NTC should consider exporting their products directly on their own rather than through private merchants.
35	9.19	The Committee further note that the Reserve Bank had in the past given instructions to the Banks to provide separate export credit upto the packing point and each Bank was to get this amount re-financed from the Reserve Bank. The refinancing facility has been stopped since October, 1974 by the Reserve Bank. The Banks are now reluctant to give any special credit facilities because of which the liquidity position of

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		the mills and consequently the exports efforts are adversely affected. As the export efforts deserve encouragement in national interest, the Committee would like the Government to look into the credit needs of exporting mills of NTC and take steps to ensure that their export efforts are not slackened because of credit curbs.
	9.20	The Committee also note that the combined obligation scheme in respect of controlled cloth and exports is affecting the interests of the NTC mills adversely. They have dealt with this question in an earlier chapter and given their recommendations in this regard.
36	10.15	The Committee note that the debt-equity ratio, as revealed by the financial results of the Corporation, was 1.32 : 1 in 1971-72, 1.34 : 1 in 1972-73 and 1.25 : 1 in 1973-74. The Committee feel that in the interest of better financial management of the Corporation, it is desirable that the debt-equity ratio is brought to the recognised pattern of 1 : 1.
37	10.16	The Committee also note that while the working results of the Corporation, as such, showed a profit, (after tax) of Rs. 13.94 lakhs in 1971-72, Rs. 26.08 lakhs in 1972-73 and Rs. 32.11 lakhs in 1973-74, the mills taken over by the Corporation incurred a loss of Rs. 18.75 lakhs from the date of take-over till March, 1971, (in respect of 31 mills) and the cumulative losses rose to Rs. 26.19 crores till the end of March, 1972, when the number of mills rose to 1978. The mills have been able to turn the corner since then and have reduced the carry-over losses to Rs. 6.44 crores as on 31st March, 1974 by earning profits of Rs. 1.38 crores in 1972-73 for 80

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		running mills and Rs. 18.37 crores in 1973-74 for 96 running mills. The Committee are constrained to note that at the time of take-over of the mills, in most of the cases the accounts had not been prepared for a number of years and even in cases the accounts had been prepared, the balance sheets were not available. The Committee are not sure whether any action has been taken against such defaulting mills for this sad state of affairs. The Committee would like to be informed of the action taken to reconstruct those accounts at least now with a view to ascertaining the correct financial position of the mills so that the Corporation may take suitable remedial action to improve the financial position.
38	10.17	The Committee find that out of the total cumulative losses of Rs. 26.19 crores upto 31st March, 1972 incurred by the Mills Rs. 18.72 crores were the losses incurred by only 4 mills, namely, Indian United Mills, Bombay, Digvijay Spinning & Weaving Mills, Muir Mills and Sri Bharathi Mills, Pondicherry. The Committee were informed that higher labour cost, low productivity, lack of modernisation were responsible for the losses, and as a result of implementation of first phase of modernisation programme, installation of additional automatic looms, providing balancing machinery and also erection of diesel power generation sets etc. now initiated by the NTC to modernise these mills and improve productivity, these mills appear to be turning the corner. The Committee need hardly point out that this underlines the need for taking up the modernisation programmes on a priority basis. The Committee, therefore, desire that there should be a time-bound programme for renovation/modernisation of the mills and special attention should continue to be paid to these four mills which have caused

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		such heavy losses to the Corporation in the past and that there should be no let-up in efforts already initiated to turn these losing concerns into profitable units as early as possible.
39	10.18	The Committee also note that out of the 103 mills taken over by the Corporation, 27 mills accounted for a loss of Rs. 8 crores in 1971-72, 42 mills for a loss of Rs. 3.4 crores in 1972-73 and 22 mills for a loss of Rs. 1.4 crores in 1973-74. Some of the main reasons for the losses are stated to be low productivity of machinery, excess labour force and consequent low productivity of labour, rise in wages, increase in cost of cotton content due to inefficiency of machinery, power cuts and shortage in working finances. The Committee recommend that the Corporation should take appropriate steps to effect economies in expenditure both in Headquarters and subsidiaries. introduce appropriate system of cost control, improve productivity of machinery and men by speedy implementation of modernisation programmes, rationalisation and proper deployment of labour. The Committee also recommend that the Corporation should conduct a critical review of the working of the mills and identify the mills which would continue to incur substantial losses and take concerted crash measures, including diversification, if necessary, with a view to improving their financial viability.
40	10.19	The Committee also note that the administration and establishment expenditure of the Corporation increased from Rs. 13 lakhs in 1971-72 to Rs. 44 lakhs in 1973-74. The Committee are informed that the increase in expenditure was due to the increase in the number of units

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		to be managed by the Corporation from time to time and on account of the revision of pay scales in the light of the Pay Commission's recommendations. The Committee have given their recommendations in regard to increase in staff strength in a separate chapter of this Report.
	10.20	The Managing Director, NTC, stated during evidence that "The Act regarding nationalisation has been passed only last month and the whole structure, at present, is under review and we will be winding up our regional offices also. After subsidiary corporations are formed, we will have another look at this." The Committee recommend that the Corporation should have a second look at the organisational structure of the Headquarters and the subsidiaries and rationalise the staff strength at all levels right from the beginning to avoid the phenomena of over-staffing, which is usual with the public sector.
41	10.26	The Committee note from the report of the Statutory Auditors that the Corporation has not yet compiled the Accounting Manual, nor has it fully implemented the Internal Audit Manual already prescribed. In the regional offices of Bombay and Bangalore, the accounts staff have not been properly utilised while no internal audit control has been introduced, in spite of the sanctioned posts for the cell.
	10.27	The Committee are informed that steps have been taken to prepare an Accounting Manual early in 1974-75 and work had to be suspended to include new procedure because of nationalisation of the Mills. As the mills have since been nationalised, the Committee hope that the

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		NTC would now loss no time in compiling the Accounting Manual and also organising the Internal Audit Units at appropriate levels, so as to lay down proper accounting procedures and to keep regular checks over the accounts and financial transactions of the Corporation and the Subsidiaries. The Committee expect that the results of internal audit would be reported to the Top Management and Board so that suitable remedial action may be instituted in time to rectify the deficiencies, if any, brought to notice. The Committee also desire that there should be a system by which weekly performance reviews on the individual mills are received by the subsidiary corporations and furnished to the NTC so that the Corporation may have an opportunity of reviewing the weekly/quarterly/annual performance of the mills and taking corrective action to remedy any short comings noticed.
42	11.6	The Committee note that the inventory of market yarn with the mills has arisen from 1.77 million kgs. in march, 1973 to 2.51 million kgs. at the end of March, 1974 and 4.19 million kgs. by the end of September, 1974 thus indicating that the inventory of yarn has almost doubled itself during March and September, 1974. The Committee see no reason why there should be accumulation of market yarn with the Corporation while there is a shortage of yarn in the decentralised sector. The Committee feel that the Corporation should arrange to meet the needs of yarn in the decentralised sector and reduce its inventories keeping in view their own requirements.
	11.7	The Committee also find that the stocks of cloth has increased from 98.64 million metres in

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		March, 1973 to 122.89 million metres in March, 1974 and 150.34 million metres in September, 1974.
	11.8	The Committee recommend that the Corporation should take steps to reduce its inventory of cloth by diverting the stocks to the various sales points according to the demands of the consumers for the different varieties of cloth at such points. The Committee also recommend that production of cloth should be regulated on the basis of feed back information from the subsidiaries about the demand for the particular varieties and types of cloth to avoid excess inventories.
43	11.9	The Committee are informed that inventory of goods and spares of the mills include obsolete and unsaleable items of goods and spares. The mills have been told by the Corporation to dispose them of by circulating a list of such items to all the mills and, to the extent possible, the items should be disposed of within the organisation. The Committee recommend that the Corporation should review the position in this regard and take stock of all such obsolete stores and spares and machinery so that they may be disposed of in the best interests of the Corporation after following the proper procedures for condemnation of these items. The Committee also suggest that in the case of any looms proposed to be disposed of, the Corporation may examine the question of selling such looms to the ex-workers of the mills in the interest of rehabilitating them. The Committee would, however, like to caution that this should not lead to any avoidable condemnation of looms or benami transactions.

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44	11.10	The Committee are also informed that action is being taken by the Corporation to introduce cardex system for maintenance of stores records which would help the mills in managing the inventory. The Committee feel that modern methods of inventory control should be introduced where necessary in the mills so that there can be effective control on stores and accumulation of stocks and blocking of capital are avoided. The Committee also suggest that in the interest of ensuring uniformity in stores procedures, the Corporation should consider bringing out their own stores procedures and accounting manual for adoption by the different mills.
45	12.7	The Committee note that in their Report on National Textile Corporation the High-Powered Committee had observed that in the 24 mills which were examined by them, as against a total labour force of 78,662 on rolls prior to take over, 59,183 workers or nearly 75 per cent were employed. In three of the mills, the number of workers employed exceeded the number on rolls prior to take-over. Among the others, in 3 the employment was between 90 and 100 per çent, in 5 between 80 and 90 per cent, in 6 between 70 and 80 per cent, in 4 between 60 and 70 per cent and in the remainig three, below 60 per cent. The High Powered Committee further observed that employment of labour in the mills was also on the high side. As against the actual number of operatives per 1,000 spindles employed by individual mills, it was observed that the standard average had been exceeded by about 15 per cent in one unit, 30 to 50 per cent in 9 units, and by 75 per cent to 100 per cent in the remaining 5 units

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	12.8	The Committee also note that to deal with the problem of surplus labour in NTC mills, the NTC has evolved a scheme of rationalisation of labour in its mills under which if any worker wants to voluntarily retire, he is given certain compensation and certain other benefits. The scheme has so far been approved for implementation in 24 mills though it has actually been implemented only in seven mills. The Committee hope that this scheme will be extended to and implemented in other mills of N.T.C. expeditiously, so that the mills are not loaded with avoidable surplus in the event of modernisation of the Mills. The Committee recommend that the scheme of labour rationalisation should aim at achieving the maximum production/productivity and for this purpose Government should consider the feasibility of introducing built-in incentives to workers.
46	12.9	The Committee also note that by and large there is no active participation of workers in the management of the mills though Government agreed during evidence that they wanted the Co-operation of all the workers and that the participation of workers in management was a desirable thing. The Committee were informed that in some mills workers were associated at shop level but there was no association of workers at the Board level.
		The Committee have in their 17th Report (Fifth Lok Sabha) on 'Personnel Policies and Labour-Management Relations in Public Undertakings' stressed the need for workers' participation in the management which should be from the shop level to the Board level. The Committee recommend that the Corporation should set an example as a model employer by creating a feeling of belonging amongst the workers

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		of the NTC mills, and for this purpose they feel that the representatives of empolyees should progressively be given participation in management at all levels. The Committee also recommend that there should be a system of built-in incentives in the wage structure so as to increase the productivity of workers under the NTC. The Committee need hardly emphasise the importance of investment in human beings whenever any programme of modernisation is undertaken.
	12.10	The Committee also recommend that if at any time, as a result of rationalisation, retrenchment of labour becomes inevitable, it must be ensured that the workers are paid their statutory compensation and other dues and are also assisted in rehabilitating themselves.

GMGIPND—RS III—612 (Aii) LS—18-7-75—400.